



# THE INDEPENDENT

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WEATHER: Cold everywhere

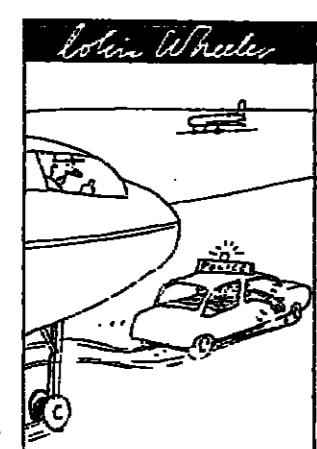
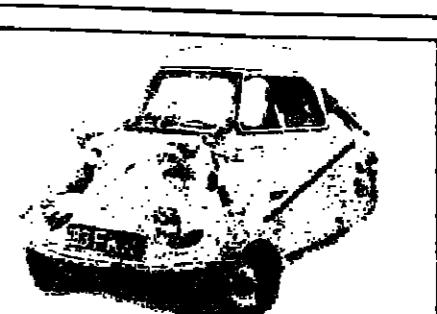
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Buildings to knock  
down for the  
millennium PAGE 29



Sixties style  
to die for



Jason Bennett  
Crime Correspondent

The police are to be given new powers to test pilots, air-traffic controllers and maintenance engineers for alcohol and drug abuse. The Department of Transport initiative comes after concerns that aviation workers, including 41,000 commercial and private pilots, may be operating while under the influence of drink or drugs. At present the police have no power to breathalyse

or take a blood sample from a pilot or air-traffic controller.

A limit of about 20mg of alcohol per 100ml of blood will be used – equivalent to about one glass of wine or half a pint of lager – which is effectively a zero tolerance level. The DoT has yet to finalise the details but they have told police chiefs that they intend to introduce the changes later in the year.

Drinking is thought to be a bigger problem than drug-taking in the aviation world, which can involve extreme pressure and long hours. A DoT consultative paper says: "The CAA [Civil Aviation Authority] believe that alcohol is a contributory factor in a number of aircraft accidents each year. However, the true scope of the problem is hard to assess in the absence of testing."

At any one time, between 40 and 50 professional pilots are being counselled by the CAA for alcohol related problems. Since 1976 there have been nine known cases where pilots were drunk while flying a light aircraft

– in four they crashed and were killed. There have been two known incidents involving drunken commercial pilots, although both were prevented from flying. In the past eight years the CAA has been notified of eight cases of drug use, all involving cannabis.

The new powers are to target Britain's 29,000 private pilots, 11,500 commercial pilots, 1,900 air-traffic controllers and 15,000 maintenance engineers. They have been prompted by the need to comply with a European Union directive which requires all member countries to ensure that by April 1999 flight crews do not work with more than 20mg of alcohol to 100ml blood.

Police officers are expected to use their new powers in two key areas – when they attend an air accident and believe that a person has been drinking or taking drugs, and when they believe that an offence is about to be committed, for example if a pilot has been drinking in a bar shortly before an aircraft takes off. Random testing will not take place.

Peter Sharp, Chief Constable of Hertfordshire and head of the Association of Chief Police Officers working party on the issue, said: "At the moment we cannot take a breath test unless the subject agrees voluntarily. We believe the new power will be useful to help deal with allegations or accidents where alcohol is believed to be involved."

A DoT spokesman said: "It seems odd that there is no limit at the moment. It will be some time before there is any announcement."

## Doctors reveal NHS is failing

Colin Brown  
Chief Political Correspondent

The National Health Service is in the midst of a winter crisis of delays to operations and ward and hospital closures, according to a leaked paper drawn up for doctors' leaders yesterday.

Labour called for an emergency Commons statement from the Secretary of State for Health, Stephen Dorrell, as Britain experienced snow and freezing conditions, with accident and emergency centres across Britain reporting rapid increases in demand, leaving many stretched to the limit and some unable to cope.

Hospitals are telling GPs not to refer any more patients until April when money comes available for the next financial year.

In response, some GPs are advising patients to refer themselves to accident departments. The flu epidemic has also added to the strain on the NHS, with more patients, and staff going sick at the busiest times.

The crisis is certain to become part of the general election battle. Labour have guaranteed to match the £1.2bn increase for the NHS next year, but have refused to make pledges about more money for future years.

BMA sources said they believed the crisis was probably the worst to hit the NHS in a decade.

Although it was made worse by the flu epidemic, the core problem doctors believe, is a chronic shortage of resources, in spite of an extra £25m injected into the health service on Christmas eve by Mr Dorrell to avert a crisis.

Chris Smith, shadow Health Secretary, said the report made "chilling reading". And he added: "It shows that, whatever the claims made by the Government, the reality is a health service under massive pressure, set by funding difficulties and slipping into crisis."

The BMA is seeking an urgent meeting with Mr Dorrell to discuss the findings of its national survey. The report showed:

Nottingham - Queens Medical Centre: Doctors instructed to admit only urgent surgical cases and those who have been

waiting for 18 months for treatment, the limit under the Government's Patient's Charter.

Wales: Four major hospitals closed to non-emergency cases because of the winter weather and flu epidemic.

South London: 24 patients waiting on trolleys in Accident and Emergency in the early morning, with no prospect of being admitted until the afternoon at the earliest.

East London: No elective surgery or routine work until after April 1997 outside the three Tower Hamlets hospitals (Homerton, Royal, and Newham) to improve financial viability of these three trusts by referring all cases to them.

Leeds: no more elective gynaecology work for next few months. Bed crises mean that beds in specialist units have to be borrowed for emergencies.

North Staffordshire Trust: A&E department admissions and sickness forced a consultant to work without a break for 36 hours from Monday morning to 2 pm on Tuesday.

The cuts in elective treatments are also having a "major impact" on medical students in training. The chairman of the medical students committee started a three-week placement at Barts/Royal London to find paediatric A&E and other wards closed.

A BMA spokesman said: "We are taking it very seriously. Last October we warned that the light was at amber and if it got worse, it would be at red. The red lights are now on."

"People are waiting in ambulances because there are no beds. In Nottingham, the shortages are in crisis proportions. Letters have gone out virtually stopping everything."

"We are getting reports from of crisis in other parts of the country almost daily."

Gerry Malone, the Health Minister, said last night: "We anticipated the harsh winter and that is why we implemented a plan of action and provided additional money for extra services."

"It is nonsensical for the Labour Party to complain about funding when they won't match the Prime Minister's pledge of year on year increased spending on the NHS."

In the last few days, the mis-

sle crisis has blown up into Europe's most serious risk of international confrontation for many years. This has coincided with a separate Greek-Turkish row over the ownership of disputed islands in the Aegean Sea.

Mr Tayan compared the Cyprus crisis with events in Cuba in 1962, when the US

blockaded the island in re-

sponse to the Soviet deployment of missiles there. But Turkey's state-run Anatolian news agency went further and sug-

gested that the Turkish armed forces would launch a military strike against the missiles after Russia had delivered them.

Greek Cypriot officials last

night tried to play down the cri-

sis, saying there was no need for

the deployment of the mis-

siles, and that their purchase was

intended primarily to refocus in-

ternational attention on the

need to solve the Cyprus dispute.

The island has been divided

into a Greek Cypriot south and

a Turkish-occupied north since

1974, when Turkish forces in-

vaded Cyprus in response to a

pro-Greek coup aimed at unit-

ing the island with Greece. Greece's Prime Minister, Costas Simitis, appeared unconcerned about the threats.

Turkish aggression has been ex-

pressed for some time. We

would be playing Turkey's game

over this and were swept into an

atmosphere of crisis," he said.

Prospects for cooling the sit-

uation depend heavily on a se-

nior US diplomat, Carey

Cavanaugh, who is to visit

Cyprus, Greece and Turkey

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The Foreign Minister, Mal-

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Cypriots retorted that the basic

problems remained the pres-

ence of 30,000 Turkish troops

and the existence of a rogue

Turkish Cypriot state that is

recognised only by Turkey.

Neave inquiry  
A third social worker involved in the case of Rikki Neave, 6, and his family was suspended as a report strongly criticised Cambridgeshire County Council's care of the murdered boy and his family.

Frank Sinatra was taken to

hospital in Los Angeles after an

apparent heart attack. The

singer, 81, was in hospital two

months ago for eight days

with a pinched nerve and mild

pneumonia.

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One way out would be to allow a refe-

rendum on the euro. But Chancellor

Kohl has ruled that out, arguing that refe-

rendums were far too Weimarian.

German job crisis, page 23

## Germany's worst jobless rate since 1932

Barbara Karacs  
Bonn

Germany is on course for busting the Maastricht limits this year, burying a European Monetary Union under a mountain of government debt. As unemployment soared again last month to a post-Weimar peak, matching the rate in 1932 shortly before Hitler came to power, official statistics released yesterday showed that economic growth was faltering.

Chancellor Helmut Kohl had pinned his hope on a growth rate of 2.5 per cent this year, which might have been just enough to keep the budget deficit under the 3 per cent

## news

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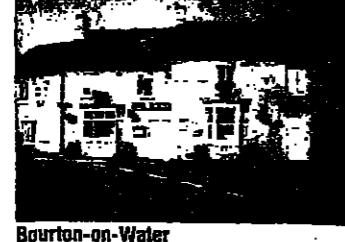
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**There are many reasons to buy education: now we know you can buy exam grades****Judith Judd**  
Education Editor

Parents choose to buy education for their children for many reasons. Sometimes it is family tradition, smaller classes and more individual tuition; perhaps there is an element of social cachet or snobbery.

They hope their children will also get better examination results, and yesterday came evidence that indeed they do – even if they don't deserve them.

A report from government exam advisers found that A-level English examiners awarded candidates from top fee-paying schools higher grades than they deserved. Its findings mean that some of the 5,000 candi-

dates involved, almost all from fee-paying schools, may have secured university places which would otherwise have gone to comprehensive school pupils, Dr Nick Tate, the authority's chief executive, admitted.

Dr Tate said the examiners in this case made a number of changes, which might amount to as much as two grades, without even looking at the scripts. Instead, they relied on teacher predictions, knowledge of the schools and of individual examiners. He said: "The way the exam process was conducted was unworthy of a reputable examining board."

Overall, 60,000 candidates took A-level English. The report reveals that some of those entered with the Oxford and Cambridge Schools Exam Board last summer had their marks increased, not on the basis of what they had written, but because of the grade predictions made by their teachers. Exam boards use predictions to help sort out big discrepancies in marks.

Grade predictions are a bit of information to be taken into account but they should not be the main factor.

The upgrading took place at the end of the exam process. In virtually all cases, the report says, the upgrading was unjustified. "In one instance the marks given to a candidate who had produced extremely brief responses had been changed from 14 out of 60 to 40 out of 60 with no apparent justification."

The board's chief examiner in English, Dr John Saunders, who headed an 11-strong team, resigned last July. He said he was protesting against the imposition of new marking rules which penalised gifted candidates.

Last night, he said: "The no-

tion that we are going to give Eton everything we want is completely untrue."

This report is a slur on people of high integrity and professional experience. There was no upgrading of candidates on the basis of teachers' predictions alone."

A spokesman for the Independent Schools Information Service said: "There's no evidence of partiality to independent school candidates. The fact that the majority of candidates taking this syllabus were from independent schools is an historical accident."

The board, which has merged with another and is now the Oxford and Cambridge Examinations and Assessment Council,

said a new team of senior examiners had been appointed for English and measures put in place to prevent a repetition of last summer's events.

Dr Tate has asked the board to ensure that similar problems are not occurring in other subjects. The authority scrutinises about 10 per cent of exam syllabuses each year.

John Dunford, former president of the Secondary Heads Association and head of Durham Johnston School, in Durham, said: "I am appalled that my students may have been put at a disadvantage by this process. Candidates from one sector have been given an advantage in the competitive world of university admissions."



At ease: The Prince of Wales talking to Leading Wren Paula Trewin of HMS Illustrious on his visit to Portsmouth yesterday when he presented the Wilkinson Sword of Peace to the captains of two Royal Navy ships, the Illustrious and HMS Invincible

**significant shorts****Boy, 15, falls through ice and dies**

Burned-out Mirren wants to quit

A teenage boy died yesterday after falling through ice on a pond. Peter Sinclair, 15, of Stevenson, Ayrshire, and his next-door-neighbour, John Wales, 13, had been trying to retrieve golf balls at Auchentharvie golf course when Peter ventured out on to the ice and fell through.

Six pensioners who were golfing shouted at him to try and swim to an island but as he tried to clamber back on to the ice, he slipped back in and disappeared.

Firefighters were swiftly on the scene and one who went to save the boy said he probably slipped to his death less than a minute before they arrived. Charles Bell, dressed only in standard fire-fighting kit, waded up to his neck but failed to find him. His body was retrieved later.

**Plan to tempt tired heads**

Burnt-out head teachers who seek early retirement could be encouraged to return to teaching until they reach 60 under proposals from their local authority employers.

The move would allow heads who no longer wanted the pressure of running a school the chance to stay on at work under less stressful conditions while also saving on pensions payments, the Local Government Education Employers said yesterday.

The suggestion is part of a package of measures aimed at cutting the growing bill for teachers' pensions. In exchange for accepting some concessions, the authorities want Gillian Shephard, Secretary of State for Education and Employment, to delay the introduction of new pensions rules from Easter until next September, though that is considered unlikely. There are fears that there will be an exodus of older staff before the change.

Charles Arthur

**£40m Oxford school rejected**Controversial proposals to build a £40m business school on an Oxford University playing field were yesterday ruled out by university authorities two months after a parliament of dons voted against the scheme. *Lucy Ward***Tonsil test for CJD**

Doctors may be able to make an early diagnosis of the new strain of the brain disorder Creutzfeld-Jakob Disease (CJD) by examining tonsil tissue, using a new test devised by British scientists.

The "new variant" of CJD, which is thought to be caused by eating food contaminated with BSE, or mad cow disease, has so far affected 15 people in the UK.

Previously, the diagnosis has had to be made after death or by a brain biopsy, which is expensive and can be dangerous to the patient.

The new test, reported in the *Lancet*, follows work by John Collinge at St Mary's Medical School in London and the CJD Surveillance Unit in Edinburgh. *Charles Arthur***Child hangs**

A 12-year-old boy died after being found hanging at his home, an inquest was told yesterday. David Tuck of Upton St Leonards, near Gloucester, was taken to hospital, but attempts to revive him failed. The inquest was adjourned.

**Snake squad**

Blackadder, the television anti-hero played by Rowan Atkinson, was adopted by the Army's Combat Support Group. Every soldier in it will wear "a wriggly black adder".

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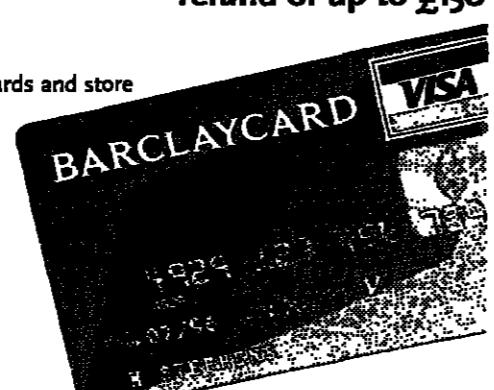
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**Whitehall accused of sabotaging openness****Colin Brown**  
Chief Political Correspondent

New civil service codes of conduct for the release of public information were attacked as "too restrictive" yesterday by the Campaign for Freedom of Information (CFOI).

The codes will make it more difficult for the Ombudsman to investigate environmental cases, including the high charges for information relating to the BSE "mad cow" disease, and a total blanket has been thrown over information relating to MI5.

A member of the public was told he would have to pay over £6,000 under John Major's

Open Government proposals if he insisting in demanding information about the handling of "mad cow" disease by renderers and incinerators.

The high price of information was seen last night by the Campaign for Freedom of Information (CFOI) as further evidence of the way that Whitehall is breaking the spirit of the Prime Minister's drive to make Government more open.

The Ministry of Agriculture told Alan Watson, from Gower, South Wales, that the information would cost £1,293. But the ministry might have to seek legal advice, which could push up the cost by £5,195.

When Mr Watson, a civil en-

gineer, complained to CFOI in London, they took up his case with the ombudsman. But a new code of practice issued yesterday by Roger Freeman, the Cabinet minister with responsibility for the civil service, has made it worse.

Maurice Frankel, director of the CFOI, said: "Until now, the ombudsman could ask for information covered by the code of practice and he would be able to challenge it. But under the new code, that remedy has been removed."

The Government presented the codes as a modest tidying up measure, but the CFOI believes that in the small print, they have tightened up the restrictions.

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Back issues of the *Independent* are available from *Holiday Newspapers*, telephone 01992 840376.NEWSPAPERS SUPPORT RECYCLING  
Recycled paper made up 41.2% of the raw material for UK newspapers in the first half of 1996**Dead husband is to father twins**

As a woman is fertilised by her late partner's sperm, experts say the law is confused, writes Liz Hunt

to the Court of Appeal on Monday. Mrs Blood, 31, whose husband slipped into a coma and died of meningitis before giving written permission for his sperm to be used, is challenging a ruling by the Human Fertilisation and Embryology Authority (HFEA) – subsequently upheld by the High Court – not to let her have fertility treatment here or abroad.

Mrs Blood's father, Michael McMahon, yesterday said his daughter had been advised by lawyers that she had a good legal case. She will be claiming the rulings were unreasonable, and announced she will take her case

to the Court of Appeal on Monday. Mrs Blood, 31, whose husband slipped into a coma and died of meningitis before giving written permission for his sperm to be used, is challenging a ruling by the Human Fertilisation and Embryology Authority (HFEA) – subsequently upheld by the High Court – not to let her have fertility treatment here or abroad.

Doctors and scientists from London, Swansea, and Tyne and Wear, involved in the twin pregnancy in the 36-year-old woman whose husband died of testicular cancer, say that a comparison of this and the Blood case shows the "limi-

but not so in an acute illness. Such inflexibility is germane to neither the human condition nor a rapidly changing medical field."

In the same issue of the *BMJ*, Professor Sir Douglas Black, former chief scientist in the Department of Health between 1973-77, describes the decision to refuse Mrs Blood treatment, as "copper-tight".

He writes: "It seems to me that this is a case in which the distress and hardship to an individual are glaringly obvious, and the value to society minimal. That view presupposes that legal and ethical principles are contingent, and not absolutes that need to be defended at whatever cost to actual living people."

The comparison of the two cases shows the limitation of the current law; it is conveniently applicable in a chronic illness

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## news

The Rikki Neave inquiry: Family and union demand public investigation after consultancy's study is condemned as superficial

# Catalogue of errors that led to death

Glenda Cooper

Rikki Neave was "failed" by Cambridgeshire social services, a damning report found yesterday, prompting fresh calls for a public inquiry into his case.

Six-year-old Rikki was found strangled on the Welland estate in Peterborough in November 1994, following years of abuse by his mother, Ruth. She was found not guilty of his murder last November but failed for seven years for cruelty to him and her two daughters.

Rikki's family, who were not consulted over the independent report by the Bridge child-care consultancy, said they would be writing to the junior health minister Simon Burns, urging a more wide-ranging investigation.

And Unison, which represents social workers, said the report was "nowhere near" the thorough, independent inquiry that Cambridgeshire County Council had promised. Yesterday a third social services worker involved in Rikki's care was suspended.

The report found blunders over missing files, lack of communication and confusion as to whether Rikki was on the at-risk register.

While social workers repeatedly found Ruth Neave aggressive, threatening and hostile the inquiry noted that "it does not appear that the question was ever addressed about how the children experienced her care".

Staff also failed to take into account what the children said. When



Rikki Neave, who was found dead in 1994, and his mother, Ruth

they did perceive that there was a problem all too often prevention methods were incomplete.

And although his name was placed on the Child Protection Register there was no evidence of any comprehensive assessment. The missing files were investigated by police.

lice and the files that did remain were sparse and rarely read.

The 29 recommendations included the need to seek children's views; the establishment of a risk policy; support for social workers where a parent is aggressive; and a new formula for allocating resources for child protection.

Janet Lindsay-German, one of the report's authors, said: "Social workers, their managers and the department failed to recognise what was going on for Rikki at home ... One of the most important things for us is that lessons that have been outlined time after time after time are still not being practised."

The chief executive of Cambridgeshire council, Gordon Lister, acknowledged the "quality of services provided for Rikki Neave ... fell below acceptable levels".

But Mr Lister said he did not anticipate any further suspensions and made clear he would not consider resigning. Challenged that frontline social workers had been scapegoated he replied: "The buck stops right at the top in this case."

But Rikki's family - including his father, Trevor Harvey, and his grandparents, Maurice and Doris Harvey - later said: "Most of the recommendations ... merely suggest that the local authority should comply more fully with the child care protection regulations."

"We now find it necessary to write to the Simon Burns, to invite him to consider a formal public inquiry so that the wider issues can be properly investigated."



The report's author Janet Lindsay-German and county social services chief Ted Unswoorth in Cambridge yesterday. Photograph: Andrew Buurman

## The boy who was left out in the cold

Glenda Cooper

At three years old, Rikki Neave was already being turned out of his house at midnight, in his pyjamas, barefoot, and left to cry until social services were called. Neighbours told of his mother, Ruth, dangling him screaming over a bridge by his legs, writing "idiot" in green felt-tip pen on his forehead and squirting washing-up liquid in his mouth.

Before his body was found, strangled, in a copper near his home in Peterborough, Cambridgeshire, two years ago, Rikki's six-year life was marked by repeated acts of cruelty by his mother.

At a trial last autumn, she was found not guilty of his murder but was sentenced to seven years for the "appalling ill-treatment and neglect" she had shown to Rikki and her daughter.

Neave's everyday actions should have proved more worrying to social services. But the Peterborough East team which covered the Welland estate, with its high unemployment and many single-parent households, was said by insiders to be "close to collapse" in the months before Rikki died. Morale was low as staff complained of huge workloads, many of them handling 15 cases at a time.

"They felt overworked and under-resourced and were going from day to day by the seat of their pants," said one council official. "No one ever got hold of it."

## Children caught in poverty trap

Michael Streeter

Children are suffering the most from the growing gap between rich and poor in Britain which is helping to make the role of social workers almost impossible, according to a leading academic.

Professor Jane Lewis, a fellow of All Souls College, Oxford, claims the growth in child poverty is so serious it means Britain will have difficulty implementing Article 27 of the United Nations Convention on the Rights of the Child. This concerns the "right of children to a standard of living adequate for children's physical, mental, spiritual, moral and social development".

Professor Lewis, director of the Wellcome Unit for the History of Medicine, and writing in *Community Care* magazine on the day that the Rikki Neave report was published, says social workers are failing to pick up the pieces from other parts of the welfare state.

She said that the rising number of children excluded from school and the greater number of sick people cared for by social services rather than by the medical profession meant social services were "very much the

end of the line". Social work was always difficult in a liberal democracy, when social controls conflict with personal freedoms, writes Professor Lewis, "but in such a profoundly unequal society their role becomes the well-nigh impossible one of containment".

She adds: "More oppressive poverty means social problems will be manifested in more worrying ways."

Professor Lewis also attacks politicians for failing to tackle social problems affecting children. She says: "The statistics on child poverty have been reasonably well-publicised, as have been the shocking outcomes for a high percentage of children in care. But there is no sign of any political party fully wholeheartedly embracing the language of investment in children. Calls for containment and control are much more prevalent."

In her wide-ranging article on the state of community care, Professor Lewis calls for a change in tone and content of debate, to re-invent the language of "trust, mutual aid, co-operation and citizenship" against the current tone of consumerism and private responsibility.

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## By-election move could bring eve of poll defeat Major faces gamble with election suicide

**Colin Brown  
and Fran Abrams**

John Major is ready to take a gamble by holding the Wirral South by-election within weeks of the general election.

Senior Tory Party sources said the by-election would be held by 6 March, giving the Tories a severe test before the Prime Minister calls the general election.

Tony Blair declared: "I am delighted that we are going to have the by-election. We have been pressing for this. The Conservatives have been forced into it."

The people of Wirral can give a lead to the rest of the country, and they will be choosing between a Conservative Party that really has nothing now to say about the future of this country, and a Labour Party that's got the policies and the energy and the ideas to sort out the issues that this country really needs sorting out."

Speculation on an Easter General Election was mounting last night following reports that the Tories are preparing for a large-scale poster campaign in late March.

According to a story in today's *Campaign*, the trade maga-



By the book: Brian Mawhinney said by-election will be called

zine of the advertising industry, the party has cancelled some site bookings made for late April and early May and has instead brought hoardings for the second half of March and for early April.

The news has fuelled rumour that the election could be announced at the Conservatives' spring gathering in Bath in mid-March and could be held on 10 April. Although party sources are still stressing that the favoured date for the election is 1 May, the day before Good Friday has been mentioned as a possible polling day.

Yesterday's news suggests that at the very least they are keeping their options open in case the government looks unlikely to survive until May.

Brian Mawhinney, the Tory party chairman, announced yesterday that the Tories would be abiding by the parliamentary convention to hold a by-election within three months of the death of an MP.

Barry Porter, the Tory MP for Wirral South since 1979, died on 3 November last year leaving the Tories with a dilemma of trying to delay until the general election, or risking a defeat within weeks of the election being called.

The Tories will be defending a majority of 8,183. Party sources denied Labour claims they had been pushed into calling the by-election.

"Canvass returns in Wirral are very good and quite encouraging. We are doing a lot of work there. We have a team in place. The economy is doing very well. The Prime Minister feels there is a sea-change going on in the country."

"He goes out in the country and feels a different mood on the ground to the one at Westminster. He feels there is a very different atmosphere out there. South Wirral could be very uncomfortable for Tony Blair."

It could rank in importance alongside the pre-election by-elections in Hull, Bermondsey and Greenwich.

The last time the Tories held a seat in by-election was in Richmond, Yorkshire, when William Hague, the Secretary of State for Wales, was the victor in 1989.

A victory, even in a safe seat, after a string of by-election defeats, would give the Tories a boost of confidence to take on Labour in the general election, but a defeat, which must be counted as likely, could sap morale before the big battle. However, the Conservatives will be hoping that if they do lose, the swing to Labour will be limited.

The Tory high command was pressing for the by-election to be held before Christmas, to avoid a possible defeat being regarded as a pointer to the general election outcome.

Labour MPs were threatening to move the writ if the Tories delayed any longer. Mr Mawhinney said the Government would abide by the convention but he did not say when the writ would be moved.

Labour claimed the Tories had bowed to pressure. "Privately, they don't want to hold it. They couldn't continue with the embarrassment," said a Labour source. "It is a remarkable opportunity for us."

1992 result: Portobello (Con) 67.5%, Southwark (Lab) 17.407 (34.6%), Cuniff E (Lib-Dem) 6.881 (13.1%); Birchwood (N (Green)) 584 (1.2%); Griffiths (NLP) 182 (0.4%).

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No smoke without fire: Anthony Samuelson, who intends to continue his anti-tobacco crusade by standing for Parliament - 'Everyone has the right to redress a grievance and the way to do this is to petition the Privy Council' Photograph: John Voos

## Candidate aims to smoke out Tories' tobacco lobby funding

**Michael Streeter**

A pensioner is to petition the Privy Council to investigate tobacco industry funding of the Conservative Party and the role of the tobacco lobby in Britain.

Anthony Samuelson, 67, a former councillor and Conservative supporter, intends to stand in the South Wirral by-election on an anti-smoking ticket and has asked more than 30,000 potential voters in the constituency to back his petition.

Mr Samuelson, a retired film executive and former lawyer, believes he is the first citizen for hundreds of years to seek an inquiry from the Privy Council -

an ancient body whose formal role is as adviser to the Monarch. "Everyone has the right to redress a grievance and the way to do this is to petition the Privy Council," said Mr Samuelson, who lives in north London.

He added: "The Privy Council lies at the heart of our constitution and the petition has to be dealt with in accordance with constitutional usage.

"This means that whilst it can be rejected, it cannot be ignored."

Whatever the date and result of the by-election - which follows the death of Conservative MP Barry Porter last year - Mr Samuelson hopes the Privy

council will order an investigation into what he sees as one of the great unreformed social evils of society.

The tobacco industry uses advertising, promotions and sponsorship to put out the idea that smoking is the cool, smart, sociable and adventurous thing to do. As a result, one in five of our children will become hooked before their 16th birthday."

Last year, he stood as an independent in the Staffordshire South East by-election but through lack of publicity felt he had failed to do the anti-tobacco cause justice.

"I had not intended to stand again, and I will certainly not

stand at the general election, but I thought this was an opportunity to get it right."

Mr Samuelson is asking the constituents of South Wirral to write to him in support of the petition. He will not comment on the exact cost of his campaign but believes it could run into a "five-figure" sum.

"I looked upon it as a choice between saying a first-class berth on a world cruise or doing this. I chose this and my wife Carol supports me."

The constitutional expert Vernon Bogdanor, of Brasenose College, Oxford, said the petition to the Privy Council was a waste of time. "It is purely a formal body," he said.

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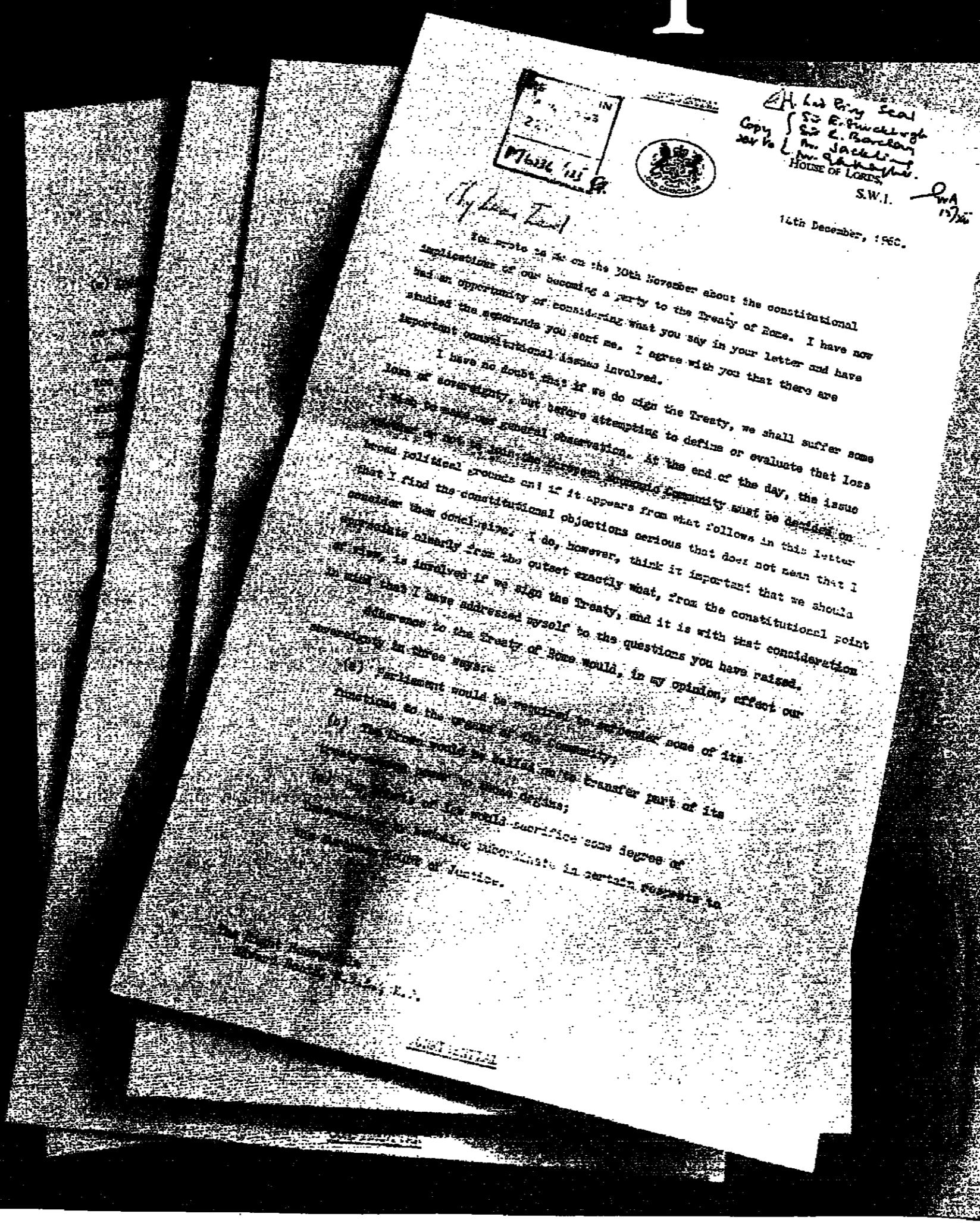
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## international

# Murdoch dreams of a Chinese empire

**Stephen Vines**  
Hong Kong  
**Teresa Poole**  
Peking

Rupert Murdoch appears to be trying to curry favour in China by showing a much-lauded official documentary series about Deng Xiaoping on the Chinese-language channel of his Star-TV Asian satellite broadcasting company.

This is not the first time the media magnate has done his bit to educate the world about China's frail 92-year-old patriarch. In early 1995, his publishing group Harper Collins released the English translation of *Deng Xiaoping, My Father*, a hagiography written by his daughter, Deng Rong.

The Deng series was made by China Central Television (CCTV) and the Central Communist Party Document Research Department, and has strict rules on satellite dishes –

won fulsome praise in China's state-controlled newspapers. The 12 one-hour episodes started nightly on CCTV on 1 January, and on Star's Chinese-language Phoenix Channel on Wednesday.

A spokeswoman at a CCTV agent company yesterday said that two Hong Kong television channels and Japan's NHK had also bought the series, while negotiations were under way with a South Korean channel and an American television company.

Mr Murdoch is still peddling furiously to make up for ground lost in China following a speech in 1993 (which Andrew Neil, the former editor of the *Sunday Times*, claims to have written) in which he spoke of "advances in the technology of telecommunications [proving to be] an unambiguous threat to totalitarian regimes everywhere".

The Chinese government got the hint, and soon imposed strict rules on satellite dishes – thus depriving Mr Murdoch of what was potentially his biggest Asian market. In 1994, Star tried to make amends by removing BBC World Service Television from the satellite beaming into China.

Political barriers to foreigners breaking into China's domestic media remain immense. Star claims to have some 36 million viewers watching Phoenix, which is broadcast semi-officially in China through satellite and cable.

However, in August, Li Keqiang, the deputy director of China's film and television ministry said bluntly that it was "not possible" that the channel was reaching so many viewers. Hammering his point home, he described Mr Murdoch's television ambitions in China as "beautiful dreams".

Star is clawing back some lost ground in China, particularly in the non-controversial sports arena. But, overall, the Chinese market has proved so difficult for Star that the company is now saying that its main priority in Asia is India.

Boat people stare out across the great economic divide



Waterfront conflict: In Beihai, Guangdong, south-west China, new luxury housing looks over traditional fishing-cum-living boats. The official press has warned of social instability as the gap between rich and poor rapidly widens. Photograph: AFP

## significant shorts

### Seoul goes to battle as workers unite

Thousands of workers turned central Seoul into a rubble-strewn battleground yesterday as they clashed with riot police, sending terrified shoppers racing for cover.

The clashes came as South Korea's main union group called for the biggest strike in the nation's history in protest at a new law which allows companies to lay off workers. Some militant unionists went to ground in a cathedral; prosecutors threatened to send police to seize them.

The Federation of Korean Trade Unions, which claims 1.2 million members, said a two-day strike would begin on Tuesday to try to force the government to drop the law. Reuters - Seoul

### American dies in apartment attack

The American director of a journalism training programme has been found killed in his apartment in the Kazakh capital, Alma-Ata.

Chris Gehring, 28, whose throat was slit, was discovered by colleagues who became concerned when he failed to show up for work at Internews Network, the office manager Karylgash Zhakanova said. Police are investigating the attack. AP - Alma-Ata, Kazakhstan

### Zaire leader on health trip

The Zairean President Mobutu Sese Seko arrived in southern France to consult doctors about his health, leaving his African nation in the throes of a rebel uprising.

Mr Mobutu spent six weeks in the Riviera in November and December following treatment for prostate cancer in Switzerland. On his return to Zaire, he prepared for a counter-attack on rebels holding a large tract of eastern Zaire. Reuters - Bonn

### Harrier pilot ejects

A British fighter pilot ejected from his Harrier GR7 jump jet as it crashed on the runway at its home base in Germany. The pilot broke his leg in the incident at the Laarbruch airbase on the German-Dutch border. No one else was hurt. Reuters - Bonn

### Children put at risk of CJD

French pharmaceutical authorities knowingly distributed hormones that risked causing a deadly brain disease and may have infected 1,000 children in 1985, *L'Express* said.

In a case similar to France's AIDS-tainted blood scandal, French doctors gave growth hormones to children with dwarfism even though the drugs risked causing Creutzfeldt-Jakob disease, the human variant of mad-cow disease, the magazine reported. AP - Paris

### Cash alarm in Albania

An Albanian opposition party yesterday repeated accusations that firms running get-rich-quick schemes in Europe's poorest country had given financial backing to the ruling Democratic Party.

The alleged pyramid schemes, some offering 200 per cent growth in three months, have drawn millions of dollars from depositors in Albania over the past few years, taking money away from the banks and alarming world-finance organisations. Reuters - Tirana

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# Milosevic set to concede defeat in elections

**Andrew Gumbel**  
Belgrade

President Slobodan Milosevic appears to be on the verge of a major climbdown in his stand-off with street demonstrators in Serbia's major cities and the crisis could be resolved as early as this weekend, political and diplomatic sources in Belgrade say.

Information emanating from the highest circles of the Serbian government suggests that Mr Milosevic is prepared to concede defeat in the municipal elections held last November so that he can restore order on the streets and ward off the prospect of punitive sanctions from the international community.

The eight weeks of protests have badly eroded Mr Milosevic's authority, even within the ranks of his own supporters. Members of his party, the SPS, have spoken out against him in Serbia's sister republic, Montenegro, while his erstwhile allies among the Serbs of Bosnia have come out unequivocally in favour of the protesters.

The resolve of the students and opposition leaders on the streets, by contrast, has been unwavering, as has the attitude of Europe and the United States who have made clear they expect the municipal election results to be respected in full.

Yesterday, the 55th straight

day of protest in Belgrade, was a typically uncomfortable experience for the government, with students organising a high-spirited plan of civil disobedience against the riot police.

The students had planned to keep up a 24-hour happening with literature students reading Dostoevsky to the police "so they won't get bored", and medical students advising them about the health risks of wearing riot helmets over an extended period. But the police did not have the stomach for the confrontation and stood bashfully on street corners while the protests swirled unimpeded all around them.

All week, the government has been making concessions as the pressure has mounted. On Wednesday they admitted defeat in Niš, Serbia's second city, while yesterday the Supreme Court instructed the authorities in the northern town of Vrsac to reconsider the merits of the opposition's case.

The independent media, meanwhile, has been awash with rumours that the Serbian Prime Minister, Mirko Marjanovic, is about to resign along with some or all of his government team. The mayor of Belgrade, Nebojsa Covic, has also threatened to quit.

The scenario being suggested yesterday was that the election results would be recognised

this weekend. Mr Milosevic would then issue a ban on street protests and, once passions had cooled, quietly reshuffle his government to eliminate the most unpopular hardliners.

Already, there are indications of a rush among his supporters to be considered among the more moderate faction. Yesterday's independent newspapers reported a furious row breaking out at a meeting of the hardline Communist JUJ party which is led by Mr Milosevic's wife, Mirjana Markovic, over the merits of giving in to the protesters rather than attempting to quash them by force.

If Mr Milosevic does climb down, it is by no means clear that he will be able to restore his battered authority to survive the Serbian parliamentary and presidential elections due by the end of the year. Opposition control of the country's biggest municipalities will vastly extend their access to the media, and will provide an important safeguard against electoral cheating.

The opposition's increased profile will also make it difficult for Mr Milosevic to alter the constitution, as he had apparently planned, to ensure there is still a role for him after the Serbian elections. Under present rules he would be obliged to bow out since he has already served two terms as president.



Blowing time: A street protester in Belgrade wears a badge saying 'The 21st century is coming'

## international

### Foreign Legion patrols Paris

**Mary Dejevsky**  
Paris

Soldiers from France's famed Foreign Legion are patrolling underground and suburban train stations in Paris as part of the security alert revived after last month's terrorist bomb at Port Royal station. It is the first time that the legionnaires, who began their duties this week, have taken up duties in the French capital.

According to the defence ministry, there is no particular significance to read into their arrival in Paris. It is part of the regular rotation of units serving the capital in the anti-terrorist alert codenamed Vigipirate.

Ministry sources said, however, that there were insufficient regular troops stationed in the Paris region to provide the cover required under Vigipirate, and other regiments had been asked to help. A total of 750 troops are currently engaged in patrolling the capital. 300 of them from the Foreign Legion.

The legionnaires are paired with gendarmes or riot police (CRS) to patrol sensitive areas like stations, airports and such landmarks as the Eiffel Tower. They do not have the right to arrest or search people.

The Foreign Legion, which was founded in 1831 to engage exclusively in foreign operations, is based in Provence and numbers 8,500 men. Anyone can join, and may conceal his identity to do so, but must sign up for a minimum of five years.

## Primakov admits Chechnya will gain independence

**Phil Reeves**  
Moscow

In the most explicit remarks of their kind from a senior Moscow politician, Yevgeny Primakov, Russia's Foreign Minister, yesterday acknowledged that Chechnya may soon gain full independence – a proposition that the Kremlin has always fiercely opposed.

His comments are tantamount to recognition that Russia, which this

week said it had withdrawn its last troops from the wrecked republic, has emerged the loser from a 21-month war in which many tens of thousands of lives were lost.

For President Boris Yeltsin, they are also a reminder of one of his nastier political wounds which comes as he is sidelined by illness yet again – this time by a bout of pneumonia, which has wrecked his plans for a bounce-back after his multiple coronary bypass operation two months ago.

According to Russian news agencies, Mr Primakov told a cabinet meeting that there was a "real danger that Chechnya will secede from Russia both *de facto* and *de jure*". He added that Moscow must work to prevent, or at least to cushion, such a development.

His warning is likely to fuel the indignation of those in the upper echelons of Moscow's political and military circles who regard Russia's peace accord with the Chechens as a

humiliating capitulation. Under the August accord, both sides agreed to postpone a settlement on the republic's status until 2001. In the meantime, they planned to maintain a state of "constructive ambiguity" on their fundamental disagreements over the issue, setting it to one side rather than allowing the deal to founder.

Mr Primakov's warning contradicts that strategy. Elaborate preparations are under way for elections in the Caucasus republic on 27 January;

the five top candidates are separatists.

His comments were not his only broadside aimed at the recalcitrant outer edges of the former Soviet empire. He also called for the cabinet to impose economic sanctions on former Soviet republics whom Moscow accuses of discriminating against ethnic Russians living on their territory, in particular Estonia.

Meanwhile, the President's aides were busy trying to contain concerns over his health following Wednesday's revelation that – a fortnight after returning to work following heart surgery – Mr Yeltsin had developed pneumonia and was back in the Central Clinical Hospital in Moscow.

The Kremlin was at pains to emphasise that his ailment was not related to his recent surgery; that his temperature was normal, and that he was being treated with antibiotics. They indicated he was even managing to work – holding, for example, a 15-minute conversation with the

Prime Minister, Viktor Chernomyrdin. Although such explanations received a generally sympathetic hearing in wintry Moscow, where 60,000 have fallen victim to a flu epidemic, they did not deter his chief opponent, the sacked national security adviser, Alexander Lebed, from continuing to attack. The retired general – who intends to run for the presidency – spent the day ruminating to reporters about Russia's "udderless" condition and "power vacuum".

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Last resting place: The Boulder mansion in which the body of JonBenét Ramsey was found on Boxing Day

## A new lord takes giant strides up Capitol Hill

Washington — The United States has no post of leader of the opposition. But if it did, then there is scant argument over who would fill it. Not Bob Dole of course, vanquished by Bill Clinton in November and now septuagenarian superstar of the late-night comedy circuit and certainly not the chastened 1997 model Newt Gingrich, humbled by ethical lapses despite the distinction of being the first Republican since the Depression era to win consecutive terms as Speaker. Instead, step forward Trent Lott, Trent who? The 105th Congress which opened this week should soon dispel any lingering ignorance.

As Senate majority leader, the job he took over from Mr Dole, Chester Trent Lott is lord of Capitol Hill and the most powerful Republican voice in the land. He will be his party's chief negotiator with the President and prime shaper of the Senate's business. Bipartisanship is the catchphrase of the hour. Whether word is transformed into deed depends on him, at least as much as Mr Clinton. And thus far the omens are good.

When he defeated his fellow Mississippian Thad Cochran last June Lott was expected to be far more confrontational than the pragmatic and non-ideological Mr Dole. Was he not a former Democrat with the special fire of the converted, an obdurate who in his first term as a Congressman in 1974 was one of the very few to reject impeachment of Richard Nixon until almost the very end? But things have not worked out like that.

In one way certainly, Trent Lott is an emblem of his times, and the extraordinary grip of Dixie on the pinnacles of American politics. An Arkansan tells the White House, a Tennessean the vice-Presidency, the Speaker is a Georgian, and the House Majority leader a Texan. And now another Deep Southerner at the helm of the



Lott dresses like a duke and talks faster than a salesman

Trent Lott, the new Senate majority leader, is a man made to mediate, writes Rupert Cornwell

Senate. The rest though is paradox.

Lott may be an unabashed conservative, opposed to abortion, gun control and strong supporter of balanced budget amendment and a reduced role for Government. But he is also a mediator who seems oddly, to have learnt that skill much as Bill Clinton did, as a boy forced to intercede to keep the peace between his mother and an often drunken father (the couple would later divorce).

He is calculating and openly ambitious never more so than when he successfully ran for the second ranking post of Republican Whip in 1994, after just one term in the Senate. But Lott is also gregarious and widely liked. He can sport a Southern drawl befitting one who grew up in Pascagoula on Mississippi's Gulf Coast – but can talk faster than a Brooklyn car salesman and dresses like a duke.

Above all, colleagues say, he is an organiser and an operator, scarcely less skilled at building legislative coalitions than Dole himself: in short a compromiser, as he must be in an institution of 100 individuals of whom a true majority is not the arithmetical 51, nor the present Republican strength of 55, but the 60 votes required to cut off a filibuster. Managing a body each of whose members are wont to look into a mirror and see a future President has been likened to herding cats or – to use Lott's preferred metaphor – "putting bulldogs in a wheelbarrow".

And he might be forgiven some delusions of his own. His relative youth (Lott is only 35), the eminence of his job and his smoothness in front of the cameras virtually guarantees him a place on the list of potential Republican Presidential aspirants in 2000 or thereafter. For the moment though, in a system of divided government, most important is how he works with the present occupant of the White House, who is of course no mean operator himself. And the start has been promising. Buttressed by a reinvented moderate called Bill Clinton and the dealmaker Trent Lott, that famous "vital centre" might just prevail after all.

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## Police in the dark on Colorado child murder

Tim Cornwell  
Boulder

Two weeks after six-year-old JonBenét Ramsey was found strangled and bludgeoned to death in the cellar of her house, residents of this quiet Colorado university town waited to hear the first statement from their police chief on what is rapidly becoming America's latest celebrity murder.

Tony Koby was due to meet five local reporters for a discussion to be broadcast on Boulder's municipal cable network last night. His police department, which has released virtually no information on its investigation, has so far pointed to no suspects or even tangible leads in the death of the child beauty queen.

Home videos of JonBenét – pronounced Shaunberry – sauntering down catwalks, pre-

cociously belting out patriotic songs – have seared the image of the dead child into the American public mind.

Early on Boxing Day morning, Boulder police were called to the home of John Ramsey, founder of a billion-dollar high technology company. His wife, Patsy, a former Miss West Virginia, told of finding a nearly written three-page ransom note that said: "We have your daughter" and demanding the strange sum of \$118,000. For eight hours, it is now reported, police waited for the kidnappers to call while a local bank provided the cash. In what was a highly unusual procedure, they then asked Mr Ramsey to search his house for anything unusual. He found his daughter's body in the wine cellar, her mouth sealed with duct tape, a card around her neck, her skull fractured, and reportedly sexually

assaulted. Since the murder, the Boulder police department has responded to a full-scale invasion by the national press with almost total silence.

Dibs and drabs of information, however, have tended to point the finger of suspicion at the family. Only the couple and their nine-year-old son were reported to be in the house that night, although Mr Ramsey's two grown children from a previous marriage had visited on Christmas Day. There was no apparent sign of a forced entry.

The bizarre circumstances of her death have brought comparisons to the case of Susan Smith, the South Carolina mother who confessed to drowning her two picture perfect children – also captured on family videos – after claiming they were kidnapped by a carjacker.

Mr and Mrs Ramsey have both hired lawyers and a media adviser. They made a single tearful appearance on CNN, but have not so far agreed to be formally interviewed by police. When Mrs Ramsey warned of a "killer on the loose", city officials went out of their way to say there was no danger to the public.

The ransom note – and part of a "practice" note where the author apparently tried to change his or her handwriting – were matched to a pad found in the house, according to local newspaper reports.

But family friends have noted that with the Ramseys having spent a reported half a million dollars extending the house, numerous workmen had access. Others have suggested that a disgruntled employee of Mr Ramsey, might have been behind a kidnap attempt.

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## international

# Can a diplomat get away with murder?

A girl's death has fuelled the cries to end immunity, writes David Usborne in New York

A kerbside scuffle and a deadly car accident – two incidents in two cities in as many weeks – are triggering passionate debate in the United States about the behaviour of foreign diplomats living here and their use – or abuse – of the centuries-old claim of diplomatic immunity to duck legal retribution.

Grumbling about diplomats and their (lack of) regard for US laws is a favourite sport in New York and Washington DC, where most of them are posted. Nearly always it is about trivial fare – non-payment of parking tickets – but the refrain is clear: those dips are getting away with murder.

Even the common-or-garden infractions can occasionally escalate into front-page controversies. Such was the case after Christmas in New York, when two foreign officials, from the Russian and Belarus missions to the United Nations, were challenged by police after parking their car near a fire hydrant.

There is disagreement on what happened next. The diplomats say they were beaten by the officers; the officers say they were attacked by the diplomats. The Russian government complained; New York's Mayor, Rudolph Giuliani, demanded the pair be ex-

pelled from his city and the country.

But the New York affair – in which an indignant stalemate now prevails – has been eclipsed by the events of last Friday night on a busy street in Washington DC. A new Ford, hurtling at 80 miles an hour, slammed into the rear of a car stationary at traffic lights. The second car flew through the air and landed on a third, crushing and killing a passenger inside. She was 16-year-old Joviane Waltrip.

Getting away with murder is no longer metaphoric. Behind the wheel of the Ford – and, according to police, intoxicated – was Gueorgui Makharadze, number two at the Washington embassy of the former Soviet Republic of Georgia. Prosecutors in Washington DC have said they would be ready to charge Mr Makharadze with negligent homicide – if only they could.

There seems little doubt the State Department will formally ask Georgia to waive the diplomatic immunity in Mr Makharadze's case. Few expect Georgia to acquiesce; however, in spite of a sympathetic letter of condolence sent by its president, Eduard Shevardnadze, to Joviane's grieving parents, America will be able to expel Mr Makharadze but nothing more.

Outrage over the case has spread to Capitol Hill, where the New Hampshire senator, Judd Gregg, has called on the White House to suspend the \$30m (£18m) in US aid sent annually to Georgia. David Richin, a lawyer for the dead girl's family, said: "This to me is murder, and there has to be some recourse."

For countries willing to waive immunity for one of their representatives abroad is extremely rare. Belgium allowed the shield of immunity to be lifted from a low-level embassy official who was convicted of killing two men in Miami. He is serving 25 years in a US jail.

But not so serious crime exactly rampant among diplomats posted in the US. Figures released by the State Department this week show that in a diplomatic corps that numbers 118,000 people (of which 18,000 enjoy immunity), less than one tenth of one per cent were involved in serious crime in 1995.

Petty abuse is endemic, however. In the New York case, it emerged that the car involved, from the Belarus mission, had been ticketed for traffic violations no less than 386 times in 1996: none had been paid. The 100-odd car fleet of the Russian mission, meanwhile, attracted an astonishing 14,437 tickets in six months of last year.



Red alert: A Chinese diplomat attacking police in London in August 1987. About 30 Chinese assaulted police after they parked a police car outside the Chinese Mission. The diplomats were barred from leaving the country without permission.

**The law**  
The principle of diplomatic immunity was not formally established by international agreement until 1961 and rests on the principle of reciprocity: the main reason to treat other people's diplomats with respect is that if you do not your own are placed in jeopardy, writes Christopher Bellamy.  
The aim is only to allow diplomats to carry out their functions with security and confidentiality, and also to recognise diplomats' function as representatives of their country. It does not grant them freedom to flout local law, although they may be immune to local jurisdiction to enforce such laws. Contrary to a widespread belief, a diplomatic mission is not "extra-territorial". It is, however, given the protection of inviolability within the receiving state. This rule refers to its premises and diplomatic dispatches. But all privileges and immunities are solely directed towards facilitating performance of diplomatic missions.



Double indemnity: The streets of west London are littered with illegally parked cars carrying diplomatic plates

## Embassy staff feeling the long arm of British law

Jason Bennett  
Crime Correspondent

Diplomats in Britain who abuse their status by flouting the law with impunity are facing an increasingly tough response from the Foreign Office.

A clampdown was launched shortly after Libyan officials used diplomatic immunity to thwart an investigation into the 1984 murder of police constable Yvonne Fletcher, who was killed by a shot from the Libyan People's Bureau in London.

Until then diplomats openly abused the system, under which they are immune from prosecution by British law, notching up 22,337 unpaid parking tickets in 1986. That number fell to 1,586 in 1995. Among the worst parking culprits were the United Arab Emirates, Qatar, Saudi Arabia, Angola, and Nigeria.

Last year there were 34 serious offences, which included 18 drinking and driving cases and a number of thefts and shoplifting incidents.

There are about 2,500 people with diplomatic status in Britain and an additional 7,000 dependents, all of whom under the Diplomatic Privileges Act 1996 are exempt from British law.

But the Foreign Office has been placing increasing pressure on governments and ambassadors for their representatives to obey our laws and waive immunity in cases that are considered serious.

A Foreign Office spokesman said: "After the Yvonne Fletcher case we looked closely at the issue – we have taken a much tougher approach now."

Despite the crackdown, there has still been a series of high-profile cases in which diplomats have apparently used their status to escape justice.

When PC Fletcher was shot in 1984 outside the Libyan embassy, her killer was believed to be a diplomat inside. But he was never brought to justice.

James Ingley, an American lay preacher, was accused of plotting to smuggle £320,000 worth of heroin into Britain, also escaped prosecution.

Cuba's ambassador Dr Oscar Fernandez-Mell was expelled in 1989 after one of his officials fired live bullets in a crowded London street, narrowly missing a bus.

And only last month Iris Ramirez-Paget, for five years the first secretary at the Honduras Embassy in London, fled Britain after being accused of fraudulently obtaining £36,000 in housing benefit and thousands of pounds in income support.

But the number of offences has been dropping and evidence of the tougher line was provided last July when a Zimbabwean diplomat who twice claimed immunity after driving under the influence of alcohol in London was recalled. The Zimbabwe Foreign Affairs Ministry summoned back Charles Matyengchama, 33, the First Secretary at its High Commission in the Strand.

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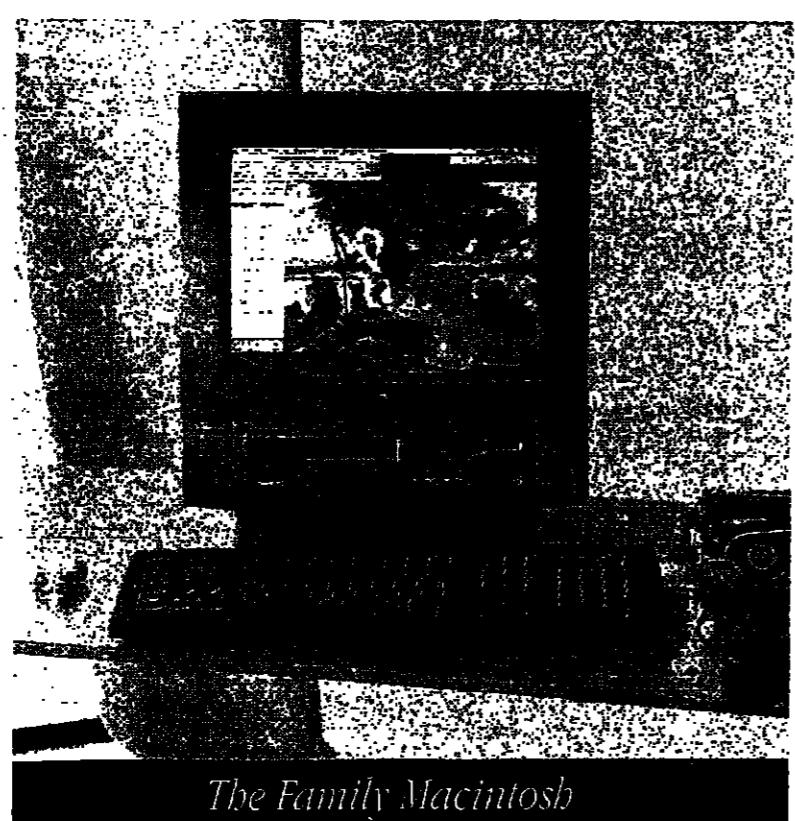
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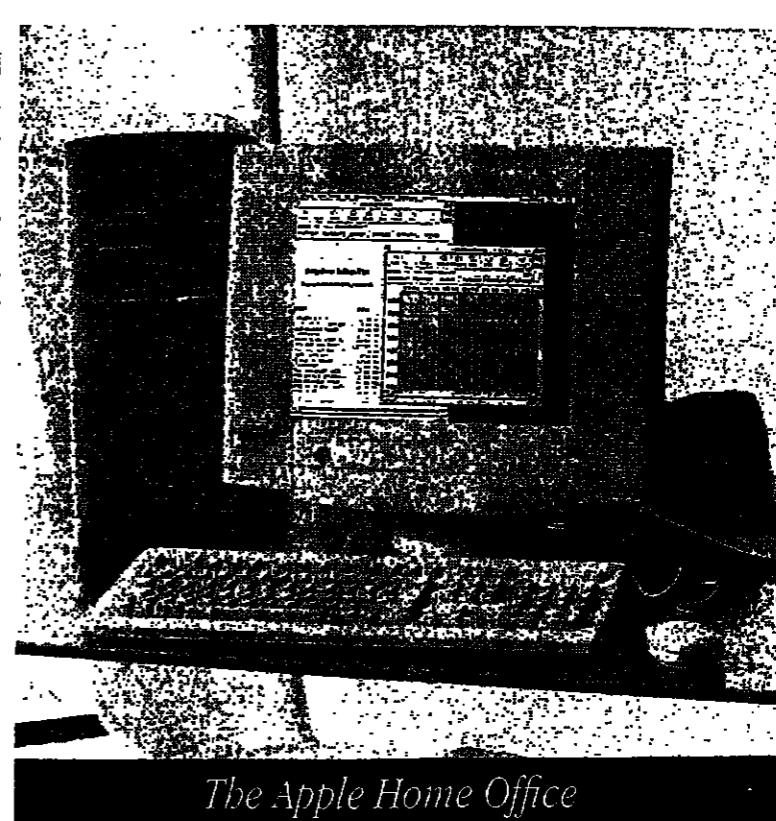
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## international

# Stars attack Germany's stance on Scientology

Imre Karacs  
Bonn

Dustin Hoffman: Compared today's persecution to 1930s

Hollywood's finest have risen against German oppression, striking a blow for a well-heeled but persecuted minority. In an "open letter" addressed to Chancellor Helmut Kohl, cunningly disguised as a full-page advert in yesterday's *International Herald Tribune*, Dustin Hoffman, Goldie Hawn and company accuse the German government of Nazi-style repression of Scientologists.

—

"You may feel that, as non-Germans, this is none of our

business," write the 34 celebrities, none of whom belongs to the Church of Scientology. "But... when a modern nation demonstrates its unwillingness to protect the basic rights of a group of its citizens, and indeed, expels them from schools. And—like the book burning of the 1930s—your party has organised boycotts and seeks to ban performances of Tom Cruise, John Travolta, Chick Corea and any other artist who believe in Scientology."

—

The stars, who also include film director Oliver Stone and

novelists Mario Puzo and Gore Vidal, complain that members of Scientologists are banned from German political parties, excluded from jobs in public service, and their children are expelled from schools. "And—like the book burning of the 1930s—your party has organised boycotts and seeks to ban performances of Tom Cruise, John Travolta, Chick Corea and any other artist who believe in Scientology."

"In the Germany of the 1930s, Hitler made religious intolerance official government policy," the letter stated. "Jews were first marginalised, then excluded

from many activities, then vilified and ultimately subjected to unspeakable horrors." It added: "In the 1930s, it was the Jews, today it is the Scientologists."

A spokesman for the *International Herald Tribune* in Paris said the advertisement was placed by Bertram Fields, a Los Angeles entertainment attorney who also signed the letter.

There is an element of truth in the charges, but they are not entirely accurate. The "boycot" of Tom Cruise consisted of a group of young Christian Democrats distributing leaflets outside cinemas showing his lat-

est film, *Mission: Impossible*. Chick Corea was prevented from performing at a publicly-funded concert because he was a Scientologist.

All parties, however, support moves to curb the activities of a group they do not accept as founded on religious principles, and a ban on Scientologists in public services has been enacted in some conservative Länder. Mr Kohl's government is now trying to extend that nationwide. Authorities also agreed to consider putting Scientology under surveillance by the anti-extremist Office for

the Protection of the Constitution. Many other countries, including Britain, have taken steps to curtail the Church of Scientology.

Heber Jentsch, president of the Church of Scientology International, said in a statement released in London that he hoped "Chancellor Kohl heeds their admonition to restore democratic principles in his country". The Chancellor himself was not prepared to respond to the criticism, however. "They don't know anything about Germany and they don't want to either," Mr Kohl said. "Otherwise they wouldn't have talked such rubbish."

Ignorance cuts both ways. Mr Kohl admitted he had not seen the letter, and asked if he planned to respond, he said: "No, I do not have any intention whatsoever of reacting. I haven't read the names of those who signed this thing." He was supported by Rudolf Schapring, parliamentary leader of the opposition Social Democrats. "This letter is unacceptable, if only because of the scandalous comparison between today's Germany and Hitler's fascism," he told the newspaper *Bild*.

# Taliban threat forces uneasy pact

Russia has asked for Britain's help over the Afghan crisis.  
Christopher Bellamy reports

The continued success of the Islamic fundamentalist Taliban in Afghanistan has brought about a bizarre rerun of the 19th-century "Great Game", when British and Russian diplomats engaged in cloak-and-dagger operations to establish influence in Afghanistan and Central Asia in the face of a Russian threat to invade the British Raj in India.

But in the new game, the players are rather different. Russia has quietly asked Britain for help, and the two former imperial adversaries find themselves arrayed with France, Iran and other former Soviet republics against Britain's ally the United States.

In recent weeks, the Taliban — "seekers of religious knowledge" — who seized Kabul in the autumn have continued to drive back the Jamiat-i-Islami faction led by the military commander, General Ahmed Shah Massoud.

The Taliban have continued to make gains north of Kabul,

welcome to Iran. Neighbouring Uzbekistan is uneasy about Islamic fundamentalists, particularly Pathans, so close to its borders. Tajikistan fears that fundamentalist influences might reinforce Islamic insurgents on its territory, and Russia fears they might spread in Russia, too.

On 4 October last year, Russia called a conference of the CIS to discuss the situation in Afghanistan, which is adding to its concerns about security in the former Soviet Union — the "near abroad". By the end of last year, Russia was openly asking Nato for help in improving security in central Asia.

Pakistan, which has given some encouragement and support to the Taliban, also has its concerns. It is worried that the Taliban may revive demands for an independent Pathan state (Pushtumistan) which would incorporate an extensive belt of Pakistani territory.

The Pakistan government also worries about a spill-over of militant Islam from Afghanistan, which is already happening — the Taliban have received training and weaponry from extreme Islamic groups in Pakistan.

However, alone among the great powers, the United States has been supporting the Taliban — because of its historic antipathy towards both Russia and Iran. Diplomatic sources said they found the US attitude rather naive, but there was no doubt of its direction.

That has brought about the unlikely and unwelcome prospect of British and French weaponry and advisers on General Massoud's side clashing with US advisers and matériel on the Taliban side.

The Foreign Office said yesterday that it remained committed to the current arms embargo prohibiting supplies to Afghanistan and that Britain's main concern was to maintain the Overseas Development Administration's aid project in Afghanistan which the Taliban regime has hindered.

Diplomatic sources said they were very concerned about the repression of women and the implementation of their interpretation of Islamic sharia law, but has refused to comment on suggestions that Britain was playing a more active role, and stressed that British diplomats in the region would meet representatives of any of the warring factions. However, other sources say that other options are also being canvassed.

Afghanistan is already awash with weapons, mostly inherited from the 10-year Soviet war.



Hand off: John Bull warding off trespassers at the Afghan border, as represented by *Punch* in 1885. In the 19th century, Britain and Russia engaged in cloak-and-dagger operations to establish influence in Afghanistan in the face of a threat to invade British India. Photograph: Mary Evans Picture Library

However, the Taliban have also acquired US weapons via Pakistan.

Harold Wilson famously said that "the frontiers of Britain lie on the Himalayas" — but he said it just before slashing Britain's defence commitments east of Suez. The renewed attention in London to Afghanistan is evidence that the end of the Cold War is taking Britain back into places which hitherto were only Imperial memories. A power vacuum has opened up, and Britain is one of many nations

edging into it. It is partly oil and gas that has led to a revival of British interest. British Gas and BP are both involved in extracting gas and oil from Central Asia. British Gas is involved in a joint venture with Agip, an Italian company, and the Kazakhstan government to exploit a huge field at Karchagan in Kazakhstan. BP is involved in joint ventures in Kazakhstan and Azerbaijan to extract petroleum from the Caspian Sea. This has meant that there is considerable

concern in London over the stability of Central Asia, and a desire to assist Russia in maintaining it.

There are only two small gas distribution pipes running from Uzbekistan into Afghanistan, which date back to the days when Afghanistan was no more than a client regime of the Soviet Union. Until a stable and politically acceptable regime is established, Afghanistan is only of interest as a route to get relatively small quantities of oil and gas to Pakistan.

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ISLAMABAD  
CHINA  
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INDIA  
ISTANBUL  
200 miles

**Map features:**  
 Taliban  
 Rabbani (Massoud)  
 Dostum (formerly communist)

Palestinian faction they will further damage the chances of the right-wing government implementing the Oslo peace accord.

Israeli and Palestinian officials had feared radicals might try to stage attacks to scuttle a emerging deal on Israel's delayed pullout from the West Bank town of Hebron and further troop pullouts in parts of the West Bank.

The Islamic Jihad, one of the groups responsible for suicide bomb attacks, is still committed to further military action against Israel. Its leader said at the end of last year that it was only stringent security measures by Israeli and Palestinian police which prevented the planting of bombs.

Avigdor Kahalani, the minister of Internal Security, said last night that police thought Arab guerrillas were responsible. Last week, off-duty Israeli soldier Noah Friedman opened fire on a vegetable market in Hebron, injuring five people. He said he hoped to scuttle the Hebron accord. Islamic militant groups had said they would avenge that attack.

The chief of police said that the bombs had been packed with nails, and this suggested guerrilla attack.

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## Two bombs injure 10 in Tel Aviv

Trick Cockburn

USA/EM

comics injured ten people

of them seriously, in a

area of south Tel Aviv

hit in what may be the

reignition of a Palestinian

bombing campaign.

The bombs, it is believed,

were as lethal and less powerful

than those used in February and

March which killed 50 people

Tel Aviv, Jerusalem and

sheikholes.

The two blasts came ten minutes apart on Monday morning.

One was at a station

with a high

occupancy rate - and a possible

target of many people.

The first bomb, it is reported,

was in a garbage can on a roadside

pipe from which water

was leaking.

It exploded when a

person stepped on it.

The second

explosion

occurred at a bus stop.

Both explosions were

detected by

alarms and

the police

were alerted.

There was no immediate

information about

any injuries.

Police said they

were investigating

the cause of the

explosions.

They said they

were also

investigating

the possibility

of a terrorist

attack.

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## obituaries / gazette

# Harman Grisewood

Harman Grisewood, a founding father of the Third Programme and the holder of several top positions in the BBC, rose by an unusual route. During the Second World War, he suddenly leapfrogged from a relatively obscure post in Broadcasting House to become the Number 2 of the European Division in Bush House.

In 1941 Government ministers, using their wartime powers, had insisted that the BBC should appoint Ivone Kirkpatrick of the Foreign Office to the new post of Controller of the European Division, responsible immediately to the Director-General. The BBC's turn declared that Kirkpatrick must take as a deputy someone with substantial broadcasting experience. It was a hard driven bargain.

At Worcester College, Oxford, where he was a history scholar, Harman Grisewood had been a leading member of the OUDS. After he came down he took a humble job writing the labels for Fortnum and Mason's delicacies. One day an Oxford friend in charge of the *Children's Hour* at Savoy Hill invited him to read a chapter of *Ivanhoe* to the children. He came away with three shillings more than he earned in a whole week at Fortnum and Mason. So he gave in his notice the next day and spent the next four years acting in radio plays with the BBC Repertory Company. In 1933 he joined the BBC staff as an announcer, like his better known cousin Freddie, and in



Grisewood: a cultivated mind

the early part of the war was engaged in routine work as a programme planner.

Harman Grisewood had a cultivated mind, though not at that time any great knowledge of foreign affairs, nor indeed of European languages. He had not sought the Bush House job, which involved a substantial promotion, nor had he even known of it before he was appointed. Moreover Kirkpatrick, who had been educated by Benedictines at Downside, considered he had no need of an Assistant Controller at all, and certainly not one who had attended Ampleforth, the Jesuit boarding school in Yorkshire. "Two Catholics," he warned Grisewood, "some people will make trouble."

But fears of a Protestant backlash were ill founded, and Kirkpatrick and Grisewood worked harmoniously together and with the rest of us in Bush House. Harman Grisewood headed the European Service

for nine months at the end of the war on a temporary basis, after the Foreign Office had reclaimed Kirkpatrick, and indeed had hopes of becoming its permanent chief.

But what was needed for the Controllership in peacetime was authority in Whitehall, which Grisewood, for all his qualities, lacked. The post went to Sir Ian Jacob, the former Assistant Military Secretary to the Cabinet, and Grisewood dropped down to become the number two in the Talks Division. He disliked its squabbling atmosphere and in 1947, unwell and disenchanted with the BBC, he resigned.

Grisewood's autobiography *One Thing at a Time* (1968) recounted a conversation at the time of Suez with Sir Anthony Eden's Press and Public Relations Secretary, the late William Clark. "William told me that the Prime Minister had instructed the Lord Chancellor to prepare an instrument which would take over the BBC altogether and subject it wholly to the will of the Government."

This statement was widely discussed after its publication in 1968 and even debated in the House of Commons. William Clark admitted to me some years later that in talking to Grisewood he had exaggerated the specific plans afoot. Clark's diary, written at the time of Suez, but published after his death, makes no mention of the alleged instruction to the Lord Chancellor.

In less than two years Barnes was promoted to a seat on the newly established Board of Management with the eponymous title of Director of the Spoken Word (DSW). Grisewood followed in his footsteps first as Head of the Third Programme and eventually also as

DSW, responsible for those programme areas which attracted the most controversy: News, Religion, Talks and Education. Complaints from educationists and the clergy were usually just as vociferous as those from politicians, if marginally less self-serving.

When Sir Ian Jacob became Director-General he appointed Grisewood as his Chief Assistant and abolished the title of Director of the Spoken Word. Grisewood became the channel for communications between the DG and the political parties as well as among the current affairs departments of the BBC.

Grisewood's autobiography

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Nevertheless throughout the Suez crisis the BBC was under very heavy pressure from the

Eden Government to avoid, in press reviews broadcast overseas for instance, any mention of domestic opinions critical of Eden's action. In the absence of Sir Ian Jacob at a Commonwealth Broadcasting Conference in Australia it fell to his Chief Assistant Harman Grisewood and the Acting Director-General, the late Air Chief Marshal Sir Norman Bottomley, to reassert the principle that long-term credibility must not be sacrificed to short-term political expediency and stanchly to preserve the political independence of the BBC.

Leonard Miall

**Harman Joseph Gerard Grisewood, actor, BBC executive and author, born 8 February 1906; BBC Repertory Company 1929-33; Announcer, BBC 1933-36, Assistant to Programme Organiser 1936-39, Assistant Director Programme Planning 1939-41, Assistant Controller, European Division 1941-45, Director Talks Division 1946-47, Planner, Third Programme 1947-48, Controller of the Third Programme 1948-52, Director of the Spoken Word 1952-53, Chief Assistant to the Director-General 1953-64; CBE 1960; Knight of Grace and Devotion, SMO Malta 1960; author of *Broadcasting and Society* 1949, *The Recess 1963*, *The Last Cab on the Rank 1964*, *David Jones: Welsh National Lecture 1966*, *One Thing at a Time 1968*, *The Painted Kipper 1970*, *Stratagem 1987*; married 1940 Margaret Bailey (one daughter); died Eye, Suffolk 8 January 1997.**



Portrait of a Maker (Harman Grisewood) by David Jones, 1932

National Museums & Galleries of Wales

## Sándor Végh



'Energy invested in music is never lost': Végh at the Edinburgh Festival, 1996. Photograph: Clive Barda

The death of Sándor Végh sees the passing of one of the last of the great Hungarian violinists who could trace their traditions back through Hubay and Joachim to the Italian violinist Viotti. Végh was, throughout his long career, soloist, chamber musician, conductor and teacher, and it would be difficult to say in which of these activities he served best the cause of music. In other words, he was a giant, whose accomplishments are indelibly etched upon every one of his undertakings.

Végh was born in 1912 in Kolozsvár in Transylvania and studied at the Academy of Music in Budapest (1924-30) with Jenő Hubay (violin), Leo Weiner (chamber music) and Zoltán Kodály (composition). He made his débüt in 1931 with the Hungarian Trio and thereafter toured with them and as a soloist throughout Europe. He became leader of the Hungarian String Quartet from its foundation in 1935 until 1938, giving the first performance of the Bartók Quartet No 5 with them in Barcelona in 1936. In 1940 he founded the Végh Quartet which he led for 58 years, touring Europe, North and South America and Asia: they also recorded the complete cycles of the Beethoven and Bartók quartets and in 1978 the quartet's recording of Beethoven's Op. 130 was launched by NASA on board Voyager's extra-solar trajectory.

Végh was professor of violin at the Liszt Academy of Music in Budapest (1941-45) and emigrated to Switzerland in 1946. He became a French citizen in 1952, holding professorships at the Academy of Music, Basle (1953-63) the Hochschule für Musik, Freiburg (1956-64), Hochschule für Musik, Düsseldorf (1964-74) and the Hochschule Mozarteum, Salzburg (1970-87). At the same time he continued to give international master-classes, solo performances, play chamber music and make recordings. Outstanding among these are the Beethoven sonatas for Violin and Piano with András Schiff, and the complete Mozart piano concertos with Schiff and Végh conducting the Salzburg Camerata Academica.

Végh founded the Festival of Music at Cervò in Italy in 1962, and collaborated with Pablo Casals in the Festivals at Prades from 1953 to 1969, as a soloist

playing under many famous conductors including Willem Mengelberg, Ernö Dohnányi, Josef Krips, Casals, Rudolf Serkin and Wilhelm Kempff. He was also a guest artist at the Marlboro Festival in Vermont, in the United States, under Serkin, from 1974 to 1977.

It was when Végh was playing the Beethoven Concerto at a concert in Turov Cathedral that, at the invitation of Hilary Behrens, one of his ex-pupils, he took a few days off to absorb the magic of the far west of Cornwall. He was so inspired by the atmosphere that he asked Behrens if a session of Spring Master Classes could be set up there. So came about Végh's most important impact on the musical life of the UK. In 1972 with Behrens as co-director, they founded the International Musicians' Seminar (IMS) at Prussia Cove in Cornwall.

It was a huge success and attracted young musicians from all over the world to work and learn together in a relaxed, idyllic setting making music often far into the night. The success of the undertakings further encouraged Végh's experiences at the Marlboro Festival in Vermont, prompted the addition in 1975 of the IMS Open Chamber Music Seminar, held each September, which proved equally popular. Since its inception the IMS has become a symbol of ideal musical performance for

some 2,000 musicians throughout the world and has a firm place in British musical life. Végh retired as artistic director in 1996.

Végh's playing was distinguished by its purity and warmth of tone, and above all, his breadth of musical understanding. He was once asked what was the difference between his generation and the young people of today as regards their approach to music. He replied:

The great difference is that the world of today is permeated by technology and ruled by machines. Our generation was still near to nature and our experience of sensations of every kind was not watered down by mechanical reproduction. We came to our musical education already impregnated by a live and vibrant musical background. The whole atmosphere in which we were born was already, by definition, a musical one.

In his own case, true to his words, Sándor Végh was still making beautiful music on his superb violin, the "Earl of Harrington" Stradivarius, right up to the last.

Margaret Campbell

**Sándor Végh, violinist; born Kolozsvár, Transylvania 17 May 1912; Professor of Violin, László Academy of Music, Budapest 1941-45; Professor of Violin, Academy of Music, Basle 1953-63; Professor of Violin, Hochschule für Musik, Freiburg 1956-64; Professor of Violin, Hochschule für Musik, Düsseldorf 1964-74; Professor of Violin, Hochschule Mozarteum, Salzburg 1970-87; artistic director, International Musicians' Seminar 1972-96; Honorary CBE 1988; married (one daughter); died Freilassing, Germany 7 January 1997.**

One had only to watch Végh giving a master-class to see what he meant. He would pin-point exactly the fault of a student and by demonstrating, remonstrating and gesticulating like a ten-armed windmill, he would bring about a complete metamorphosis in the most timid young player.

As a man he was small of stature, but gigantic in personality, and his facial expressions, grunts and gurgles were all part of the scenario which drew the most highly criticised students to return

year after year to ask for more.

When asked, well into his sixties, if he hoped to remain as active as ever into old age, he replied:

Activity is the expression of an inner rhythm. Energy invested in music is never lost. Rhythm is an expression of life itself. Even if you have lost your music you will not lose the power of the spirit. To participate in music has a definite therapeutic value from this point of view. Have you ever seen a senile musician? Look at Emile Sauer, Felix Weingartner, Pierre Monteux, Ernst Ansermet, Stokowski, Artur Rubinstein and many others.

In his own case, true to his words, Sándor Végh was still making beautiful music on his superb violin, the "Earl of Harrington" Stradivarius, right up to the last.

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Ronald Fowler's life as a teacher of economics, an original thinker, and a writer of scholarly texts was ended by Hitler when the Second World War drew him into the civil service and transformed a promising analyst of industry into a conscientious "public" servant. The Austrian economist Friedrich Wieser, whose theory of value as "opportunity cost", the sacrifice of alternatives, I often discussed with Fowler, indicated the real cost of the lost scholar.

He was born in 1910, and showed early promise at Bancroft's School that led him to the London School of Economics, where he was taught by the influential liberal school of Professors Lionel (later Lord) Robbins, (Sir) Arnold Plant, (Sir) John Hicks and others. He graduated (with honours) in 1931, was awarded a Cassell Travelling Scholarship, named after the industrialist benefactor of scholarship Sir Ernest Cassel, and appointed Lecturer in Commerce in 1932, a post he filled until 1940 when he was recruited into the wartime Central Statistical Office.

At the LSE he had taken to research that yielded new insights on the pricing system of the market. His book on *The Depreciation of Capital* in 1934 was preceded by correspondence in 1932-33 on an idea being developed by his student friend, Ronald Coase, another Cassell Travelling Scholar, whose classic article "The Nature of the Firm" in the 1937 LSE journal *Economica*, eventually revolutionised economic thinking on the structure of industry. Fowler's book showed that although the economic system of competing firms was, as Adam Smith showed in 1776, co-ordinated by the pricing system, it was the "transaction

costs" of deals between firms that explained why it was preferable to replace it only within firms by internal allocation of resources.

This theory was so radical that economists underrated it for many years. But together with another historic Coase article in 1961 on "The Problem of Social Cost", published in the University of Chicago *Journal of Law and Economics*, it formed the basis of the award to Coase in 1991 of the Nobel Prize in Economic Sciences. In his writings, as in his recent book *On Economics and Economists* (University of Chicago Press, 1994), and showed early promise at Bancroft's School that led him to the London School of Economics, where he was taught by the influential liberal school of Professors Lionel (later Lord) Robbins, (Sir) Arnold Plant, (Sir) John Hicks and others. He graduated (with honours) in 1931, was awarded a Cassell Travelling Scholarship, named after the industrialist benefactor of scholarship Sir Ernest Cassel, and appointed Lecturer in Commerce in 1932, a post he filled until 1940 when he was recruited into the wartime Central Statistical Office.

Fowler also collaborated fruitfully with Coase and another LSE colleague, (Sir) Ronald Edwards, Chairman of the Electricity Council, in the work of the Accounting Research Association on how the figures assembled for the balance sheets of companies could be used for economic research as a guide to the opportunity cost of resources used in production.

Fowler and Coase also worked on research which re-

vealed that, in deciding future output, producers did not, as economists had supposed, assume that prices would remain unchanged. If they did, output would fluctuate. In pig production they found that when prices were unusually high, producers expected them to fall, and when unusually low they were expected to rise.

Fluctuations in prices would level out outputs. Fowler applied the analysis to the production of steel in an article published in the United States in the *Quarterly Journal of Economics*.

From 1937 until military service I shared Fowler's room when I was appointed to the LSE Research Staff. I was awed to find that he had as neighbours the intellectual giant Friedrich Hayek and the distinguished refugee from Cambridge, Professor D.H. Robertson, who had moved after differences with the Keynesians. After the war Fowler and I lived near each other in west Kent. He was godfather to our first son.

Fowler also applied his analytical mind to Whitehall. He was at the Central Statistical Office from 1940 to 1950. To retirement he was Consultant to the Prices Division of Statistics Canada in Ottawa 1971-72.

His varied researches produced a published paper on "The Duration of Unemployment" in 1968 and two papers on "Problems of Index Number Construction" in 1970 and 1973. His consultancy led to articles in British and American economic and statistical journals. Fowler seemed to indicate that the change from the executive to the research post fol-

lowed a difference of opinion with a Minister.

Down the years there was much we discussed since we lived near each other. My efforts to persuade him to write for the Institute of Economic Affairs on general inferences for government policy-making, without divulging confidences, were invariably met by references to the Official Secrets Act. It is a gap in our knowledge of the working of government that the claims of politicians are not corrected by impartial advisers.

He was an upright Englishman with rigorous standards that would not allow him to speak of his anxieties about government activities and policies under both political parties. We shall never know how much his "public" services in Whitehall prevented him from benefiting the real public by academic scholarship.

Ronald Fowler lived quietly in his modest home in Kent with Brenda, his wife since 1937. She came also from a family which produced a distinguished economist, Dr Vera Smith, who married the Swiss economist Professor Friedrich Lutz. They were childless but enjoyed friendship.

Arthur Seldon

**Ronald Frederick Fowler, economist; born 21 April 1910; CBE 1950; Sir Ernest Cassel Travelling Scholar 1929-30; Assistant, later Lecturer in Commerce, London School of Economics 1932-40; Central Statistical Office 1940-50; Director of Statistics and Under-Secretary, Ministry of Labour 1950-68; Director of Statistical Research, Department of Employment 1968-72; Consultant, Prices Division, Statistics Canada, Ottawa 1971-72; Statistical Consultant, Prices Commission 1973-77; married 1937 Brenda Smith; died 5 January 1997.**



Fowler: analytical

## Diana Morgan

I first met Diana Morgan 12 years ago, writes Dan Crawford, further to the obituary by Adam Benedict, 6 January.

I had been asked to produce a review for the King's Head, Islington, that would use material first performed at the pre-war Gate Theatre. Diana's careful crafting of the history of the Gate and her profound

understanding of the time historically and dramatically made the show a considerable success.

Diana was then commissioned by us to adapt Frances Hodgson Burnett's *The Secret Garden* as a musical. This was finally presented in 1994 both over the summer holidays as a children's matinée and at

Christmas. It also played at the Watermill Theatre in Newbury to full houses over the 1994 Christmas season.

Diana Morgan was a marvellous team player, always ready to make rewrites in spite of the infirmity of age and near total blindness. If more humour was required, something that didn't come natural-

ly to *The Secret Garden*, she was able to supply it on the spot. She well understood the importance of sentimental shading, when to let emotions flow.

I was also pleased to be able to produce her excellent play *The Dark Stranger*, starring Ruth Madoc, last year.

# Flexible flexibility: Europe's way forward

**J**ohn Major came out smiling from his meeting with Wim Kok, the Dutch Prime Minister, on Tuesday night. So, oddly enough, did Mr Kok. Their meeting was a reminder that Britain can do business in Europe on a mutually beneficial basis, even during the run-up to an election.

*The Independent* was pretty pleased with Tuesday, because it provided a straight answer to one of our benchmark questions for the election: will the Conservatives pull out of Europe if things go against them? No, said Mr Major, in a fairly unequivocal way. That was a signal to British voters, and to other European leaders, that although monetary union and the Social Chapter might be hotly contested in this election, membership of the European Union is not going to be a political football; and a good thing too.

Mr Kok and Mr Major were pleased because they came close to patching up a divisive row that had threatened to derail the intergovernmental conference, the long-distance talkfest that is intended to end in a rewrite of the Maastricht Treaty. The key area under discussion was flexibility, the idea that under certain circumstances a core group of countries in the European Union can go ahead of the others in exploring new areas of co-operation.

The main area for exploring flexibility will be what is called Common Justice and Home Affairs, the rag-bag

of policies that includes immigration, policing, judicial affairs and what diplomats call "drugs and thugs" – narcotics and organised crime. Some countries (led by Germany) want much tighter co-operation and integration. Others (led by the British government) don't. We are an island, we have different legal and judicial traditions, and anyway.

Michael Howard hates the EU. There is a bigger philosophical issue behind this than the likes and dislikes of the Home Secretary, however. Flexibility is the buzzword in the EU, because there is a pressing need to find a way to accommodate EU partners with different needs and capabilities.

When there were six members of the European Community, it was right to move in lockstep. When there were nine, it became more difficult. Now there are 15; in five years there will be 20, 25, or 30, stretching from Dublin to Lublin and beyond. The EU has already started experimenting with the principle of different strokes for different folks: it pervades monetary union, border control policy under the Schengen agreement, and defence arrangements in the Western European Union.

But it needs to go further. Both the Europhiles and the Eurosceptics agree that Europe has to accommodate diversity through flexible integration. John Major has talked about a multi-speed, Ger-

many talks about the dangers of forcing the whole convoy to travel at the pace of the slowest ship. But up until now, there has been no agreed definition of how to do this.

Britain wants to ensure that it cannot be forced out of an inner group and left on the shelf; equally, it wants the right to be involved selectively, in areas of integration that it thinks desirable. The federalists are worried that letting the slowcoach keep a veto will take away the point of the exercise. There has been a choice between wobbly flexibility, too insubstantial to suit the hardcore Europeans, and doctrinaire flexi-

bility, too rigid to be of much interest to Britain. The compromise seems to be flexible flexibility: allowing people to go ahead, but making sure that those in the outer core have guaranteed safeguards.

This is a trebly important move. First, it means that there is now room for agreement on the issue of the principles underlying European Union structures. Secondly, it means that a revision of the passages of the Maastricht Treaty covering justice and home affairs may now be possible. That would remove perhaps the single greatest obstacle to a new treaty for Europe. Thirdly, it

shows that even now – even in the heat of a pre-election campaign, when Cabinet ministers like Stephen Dorrell are hinting at a tougher stance on Europe – compromise can be reached by rational men using rational means.

It is quite possible, likely even, that the Prime Minister who agrees the new treaty will be Tony Blair rather than John Major. But the Labour leader is likely to have few problems with the kind of solution that Mr Major and Mr Kok have discussed. There is less difference between the two over the institutional future of Europe than either likes to pretend.

Both have a healthy degree of scepticism about the grander and vaguer European pipe dreams: both want Britain in the European Union to stay; both realise that pragmatic compromises are the way to maintain that.

The fact that Mr Major can maintain that line when the question of his leadership is being openly debated says much for him, and for the degree of continuity that should prevail when (if) Mr Blair steps through the doors of 10 Downing Street.

There are still plenty of hurdles. But probably, the new treaty will be agreed later this year without too much fuss and bother. There is still the danger of a Kok-up, of course, if the Netherlands decides to push things too far and too fast. That happened during the conferences which led up to the Maastricht

summit, when a Dutch treaty draft proved too federalist for several countries (including Britain and France) to swallow. And then there is the chance of a Major catastrophe, if the Prime Minister again finds himself with his back against the wall in the run-up to an election and decides to play the Eurosceptic card.

But the odds are that neither party wants that. As Mr Major said, Europe needs a dose of British pragmatism, and that is what it seems to be getting.

## Children in need of some charity

The awful story of Rikki Neave demands that we ask some fundamental questions. As Polly Toynbee has pointed out, the Prime Minister is misguided in his ritual attacks on social workers: part of the problem is that they do not have the resources to interfere enough. But then, it is also true that some social services departments are simply failures. In view of the role played by The Bridge, a charity which conducted the Neave inquiry, should not voluntary organisations with good track records, such as Barnardos and the NSPCC, be more involved? Is it time to turn to the private carers?



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## LETTERS TO THE EDITOR

### We need a real debate on the monarchy

Sir: If that was the "nation deciding", then God help us all. Carlton TV's live debate on Tuesday resembled a fight in a pub car park at times.

The pity is that there is a serious debate which desperately needs to take place about the constitutional position of the monarchy. The Windsors' own private think-tank, the Way Ahead Group has started the ball rolling with its suggestions in August 1996 on disestablishing the Church of England and scrapping the Civil List. Lord Archer has placed the issue on the Lords' agenda, with his bill to end male primogeniture in the succession to the throne. Labour's plans for ending hereditary peers' right to vote highlights the issue further. My own Fabian pamphlet *Long to Reign Over Us?*, in a small way, attempted to move things on.

The issues of the monarchical powers exercised by the Prime Minister using the Royal Prerogative (including choosing the date of the next election); the role of the Crown and Commonwealth; the increasingly unpalatable financial arrangements; whether or not Buckingham Palace should stay open to the public after the five-year experiment ends next year; whether replacing *Britannia* at a cost of £100m is the most cost-effective way to support British exports; all these issues need airing in an informed and dispassionate manner, and politicians, who ultimately will take the decisions, must take the lead.

PAUL RICHARDS

London W6

Sir: Surely it was in *The Independent* that I read, only a few weeks ago, that phone-in polls were now being seen as a useless technique for assessing public opinion. "About time too," I thought, silently congratulating *The Independent* on having finally woken up. But today (8 January) you carry a front page news story based on a phone-in poll by Carlton TV on the monarchy.

I am a professional sample survey specialist. In my job we all learnt many years ago, through some famous poll disasters, that self-selected samples are not representative samples and cannot be relied on. Phone-in samples are self-selected. Such polls are just entertainment.

CHRIS SCOTT

London N19

Sir: You have surpassed yourself in the art of negative headlining ("Monarchy should go", says a third of TV poll", 8 January). What can we look forward to on the morning after the election – "Tories must stay, says a quarter of the electorate"?

PAUL DANEMAN

London SW15

Sir: By no stretch of the imagination could Tuesday night's television programme on the future of the monarchy be dignified by the title of "debate". It was an unsupervised free-for-all and the public figures on both sides who took part must surely regret that they did.

However the result of the telephone poll did mirror the results of other recent polls, finding that two-thirds of the country still want a monarchy.

But there should be no complacency at the Palace, for



more to the point one-third of the people now want a republic – an alarming increase for a movement that until a short time ago was regarded as a small, fringe group of crackpots.

ROBERT READMAN

Sandsbank, Dorset

Sir: My wife and I loyally voted (several times) for a constitutional monarchy. However, our Labrador voted republican. Such was the accuracy of this travesty of a referendum.

C D SMITH

Danby, North Yorkshire

Sir: Camelot's recent advertisement, "A general election every day" was no doubt in jest, but actually they built a system that could collect a vote from all those entitled, on such issues as the single European currency, proportional representation and the reform of the House of Lords.

Most of the adult population know how to select their numbers on a lottery card and could do something similar to register a vote. Conveniently there is a Camelot terminal nearer to most of us than our local polling station. I expect Camelot would be willing to collect the votes and process them for 5p each, their normal cut of your lottery pound. This would cost a lot less than renting all those schools and paying the returning officers. I trust that front-bench spokesmen on information technology on both sides of the House are actively looking at this opportunity to bring greater

democracy to us all at an affordable price.

JOHN LANE

London WC2

Sir: Is there any way in which I can place my vote now, then cancel all newspapers and switch off all radio and TV news programmes until after the election?

G O JONES

Oxford

### A charter for the outdoors

Sir: Stephen Goodwin's article (30 December) on the supposed rift between climbers and ramblers outlines some of the proposals in the British Mountaineering Council's Access Charter, but omits others.

The Charter does not simply echo the arguments of landowners; after 25 years' experience of negotiating access arrangements to cliffs and mountain areas, the BMC knows that negotiation and reasonable agreements are essential to secure access to the wider countryside, and therefore they are part of the BMC package of proposals that includes new legislation. The Access Charter clearly argues that there should be freedom of access to open country. It is therefore a charter for all climbers, hill-walkers, and mountaineers.

However, an approach based on blanket legislation and a definition of open country would not cover all parts of the countryside (for example Labour's current proposals do not include heathland, river

banks, forests, cliffs, and foreshore). The BMC supports an approach to open country that acknowledges that there is currently freedom of access (if not a formal right) over large areas of mountain and moorland; and that where access is unreasonably prevented, local and national park authorities should secure access through powers which have existed for 50 years (under the National Parks and Access to the Countryside Act 1949) but have remained largely unused.

The Ramblers Association has produced a formula for securing new access in the form of a draft Bill; the BMC has always been concerned about the restrictive nature and cost of such an approach. The BMC Charter is a constructive contribution to this debate and I hope the RA will accept it as such.

GEORGE BAND

President  
British Mountaineering Council  
Manchester

### Eurofunds

Sir: Your leader (31 December) implies that the European Movement is in whole funded by the European Union. The European Movement's funding comes from its members and supporters. It receives a tiny amount from the European Commission – less than 5 per cent of our budget in 1995-96. That money is earmarked for information purposes.

ROBERT COPPINGER  
Young European Movement  
Little Stukeley, Cambridgeshire

### Shot, but not poisoned

Sir: Bob Lang (letter, 7 January) raised concerns over the continued use of lead shot in wildfowling and its effect on the environment. It has been reported that the lives of 3 million ducks and geese are claimed worldwide per year through lead poisoning.

Many countries, for example Denmark, Finland and the United States, have introduced legislation preventing the use of lead shot over wetlands. In the UK a voluntary ban is in place, in an attempt to create an effective ban on lead shot from September 1997. If this is judged successful it will prevent statutory controls being introduced.

Various non-toxic cartridges have been produced, and the most widely available contain steel shot. Steel is a much harder material than lead, with greater risks of ricochet and damage to gun barrels. Steel therefore has a limited popularity among wildfowlers.

Other non-toxic shot types are being developed, and cartridges containing pure tin shot have recently been introduced. Tin is non-toxic, has been used as a replacement for lead in fishing weights since 1986, and is a soft material similar to lead.

KAY NIMMO  
International Tin Research Institute  
Uxbridge  
Middlesex

### IRA 'political prisoners'

Sir: Boyd Tonkin ("Helen's game", 9 January) criticises the film *Some Mother's Son* for staying away from the real issues in Northern Ireland. He then shies away from the issue at the heart of the hunger-strike – the right by republican prisoners to retain the political status (officially termed "special category status") that had been accorded them and others since 1972.

To say that the British government had "toughened their prison regime" or "stripped them of privileges" makes it sound as though they were concerned about having taxas and tellies in their cells. Of course the strike was about much more. In the words of a song sung by the prisoners themselves:

"I'll wear no convict's uniform  
Nor weekly serve my time  
That Britain might brand Ireland's figh  
Eight hundred years of crime."

N D MARTIN-CLARK  
London WC1

### Thank you

Sir: I am writing on behalf of the NSPCC to thank everyone who gave so generously to *The Independent's* "Victims of Abuse" Christmas appeal. This year we need to raise nearly £46m to support our work with children at risk from abuse and neglect. The money donated by *Independent* readers will help to enable us to continue this vital work with children and their families.

JIM HARDING  
Director and Chief Executive  
The National Society for the Prevention of Cruelty to Children  
London EC2

### Internet shops not open just yet

Sir: I would like to pour reality on to the increasing hype written about the imminence of electronic home-shopping (report, 6 January). I write as a director of The Food Ferry, central London's home-delivery supermarket, which has been trading profitably since 1990.

There have been many services successfully offering telephone and fax grocery services across the UK for years – because consumers are happy to use these systems and they are quick and user-friendly. But for electronic retailing to take off in 1997 there will have to be an almighty Big Bang.

Over the past two years The Food Ferry has been involved in several trials, set up enthusiastically with the software departments of four multinationals. For a variety of consumer-based reasons each one has failed to take off. Meanwhile, trade derived from conventional telephone and fax orders via boring old catalogues continues to increase vigorously.

The tide will gently turn towards electronic retailing as consumers become more accustomed to new technologies. The Food Ferry will remain closely involved at all stages. For now, the approach must be practical. The real poser is: are the multitude of consumers who wish to make home-delivery orders the same as those who are comfortable with the electronic retail systems on offer? We firmly say, not in 1997.

JAMES MILLAR

London SW1

Sir: Soon, we are told, we'll be able to order our groceries from supermarkets on the Internet and get them delivered for £4. What a splendid idea! Very reminiscent of the system which operated not many years ago, when we could telephone the grocer in the high street, order our groceries, and get them delivered for nothing.

That was before the supermarket chains killed off the grocer's business. And after the grocer, who next? Newsagents and petrol stations are in their sights already.

F E CARD

Braintree, Essex

### Toll of legal abortions

Sir: Dr Ann Daily (letters 7 January) cites a figure of 250,000 back-street abortions prior to the 1967 Abortion Act. By reckoning the Act saves about 80,000 foetal lives a year. But where does this constantly recurring figure of 250,000 come from? Can Dr Daily cite any report supporting her claim?

An article in the *British Medical Journal* of 2 April 1966 (pp 850-55) entitled "Legalised abortion" report by the Council of Royal College of Obstetricians and Gynaecologists states that figures of 250,000, 100,000 or even 50,000 criminal abortions in 1966 are "without any secure factual foundation of which we are aware".

Given the number of fatalities due to criminal abortion, the report calculated that the figure of 100,000 criminal abortions would mean a mortality rate for mothers of 0.3 per 1,000, a rate superior to the best hospitals of the time.

The conclusion is that far from saving lives, at least 70,000 more lives are being lost because of the 1967 Abortion Act.

WILLIAM NEWTON  
Woking, Surrey

## argument

**H**ands up all those who favour a gigantic ferris wheel opposite the House of Commons as a sensible way of marking the millennium. How about an enormous tower block bigger than any other in Europe? Or maybe that dustbin-lid-like device that Lord Rogers wants to build at Greenwich, the purpose of which has yet to be decided, but look at the size.

I have just outlined three of the most "exciting" proposals for commemorating the turn of 2,000 years of civilisation - but I don't suppose more than a handful of punters have signalled their approval.

Here is a suggestion. Rather than thrashing around for some great construction with which to summarise the elusive spirit of the age, we should turn this quest on its head ... and *knock down* something instead. There is nothing like a bit of rubble for summarising the angst of an era. Pass the dynamite, strike up a Swan Vesta. Boom!

There are many reasons for destroying eyesore buildings, not least the removal of blots that we had presumed more or less indeleble, but my main concern is a regard for space itself. Each year, England loses 11,000 hectares of rural landscape to urban development. That means a slab of land about the size of Bristol going up the Swance. Between now and the millennium, we will see three new Bristol. By the year 2016 this will amount to an area the size of Greater London.

According to a study by the Council for the Protection of Rural England, over the past 30 years this roaring onrush of development has cut the amount of space where you can find peace and quiet by almost 19,000 sq kms. We're running out.

Meanwhile our cities, in which more than 80 per cent of the population lives, are clearly not satisfying their inhabitants. In the past 20 years, an average of 300 people a day have quit city life to swell the edges of towns and villages, thus negating the resource they are seeking.

We must put a fresh value on space. Not as a useable asset, but as a necessity and, in this case, a symbol. We have to deny the urban supremacy of material values ... by bashing up a great big building. Just take away ... and leave a space. It would be a shake, a shock. An opening up - literally and metaphorically - of new views.

I put the idea to eight senior architects in some of our major

# Into the year 2000 with a bang

Should we dynamite the worst of British buildings? Nicholas Roe thinks so, and eight architects tell him what would head their list of the country's greatest eyesores

cities and they lapped it up. In fact, they supplied a mouth-watering parade of candidate buildings for the commemorative chop.

Rod Hackney, former president of the Royal Institute of British Architects and sometime adviser to the Prince of Wales, opted instantly for the battered Arndale Centre in Manchester. "When the IRA bombed it," he said, "the only solace for a lot of people was that they had chosen the ugliest building in the city. Everyone thought it would be demolished because it was beyond repair. But having now spent more on repair than on building it in the Sixties, that clearly won't happen."

It is sin! It is an out-of-town shopping centre in the middle of a city. A city is not just about shopping, it is also a civic state-

ment where people come together to advance civilisation. To ignore quality and manners in urban style is rude. The Arndale Centre does all that."

So to Bath, where Richard Feilden of Feilden Clegg Associates also had no doubts, selecting the Hilton Hotel on the edge of the city centre: "It is," he judged, "totally unadorned slab from the early Sixties with a complete lack of proportion. If you look down on the city, the single most noticeable feature after the Abbey is this wretched hotel built in cast stone. It isn't even proper stone."

Owen Luder, president of the Royal Institute of British Architects, selected for London the Elephant and Castle shopping centre, which sits pinkly on the Elephant round-

about. "It never did work and it's an eyesore."

In Birmingham, Tony Lloyd of Peter Hing and Jones chose the Copthorne Hotel at the bottom of Centenary Square. "A glass box," he sneered. "It could have been a sparkling jewel, but it's a bit of a black hole. If there was some open space there it would make a nice green lung around the library."

In Coventry, Michael Partridge of Michael Partridge Partnership chose a 10-year-old shop and office development in Broadgate that crassly obstructs a view of the ancient cathedral tower from the pedestrian precinct.

In Newcastle, Warren Barnett of Ian Darby Partnerships picked two early Seventies office blocks at the bottom of the city's Bigg Market which hog the site of the old town hall (a fine Georgian building, they say). "You would think I could be in any horrible down-town business area," says Barnett. "It's smoked glass, steps, brick and glass at ground level, brick paneling above that. If the buildings were not there, you would be looking at St Nicholas Cathedral and part of the old castle and part of Gateshead. There's no civic centre, it was never designed, so this could become the piazza."

If readers agree that our urban and rural space could be improved by the elimination of old eyesores rather than the construction of new ones, I am sure *The Independent's* Letters Editor would be happy to hear their suggestions.

Stephen Hodder, the Manchester-based winner of this year's £20,000 Stirling Prize for

architecture, was at first waspishly specific - he chose the Meadowhall shopping centre in Sheffield - but then raised his sights. "All out of town shopping centres," he added. "Meadowhall, Gateshead Metro, Lakeside on the M25 ... the problem is that they are such huge retail units, surrounded by seas of cars. The architectural expression is inevitably a veneer, and that veneer is whatever is fashionable at the time. What we should be thinking about is the 24-hour city." Out-of-town centres contribute specifically to the decay of cities, reviving up the exodus that gives birth to the sole surviving work of the Dollis Hill architects Sleaze & Largeface, and, moreover, is a unique example of bodge-frame construction.

Finally, the Sussex and London architect Michael Hymas chose Churchill Square, another Sixties development in the centre of Brighton: "It's a complete and utter disaster," he raged. "You could have had a wonderful terraced space on that site, possibly with open vistas of the sea. Instead, they built a windswept, bleak place that is ugly and unexciting. In fact they are redeveloping it, but I'm sure it will just be a classic Nineties shopping mall - a mini-Arndale on a potentially brilliant site."

The links between all these buildings glare from the detail. Every one is modern. Most are shop or leisure developments. The choices say something about an agreement of taste, and something else about the links between materialism and modern culture.

If readers agree that our urban and rural space could be improved by the elimination of old eyesores rather than the construction of new ones, I am sure *The Independent's* Letters Editor would be happy to hear their suggestions.

**T**he prevailing British obsession with the notion of heritage means that all buildings are of historic merit, no matter how ugly, and so none should be demolished. Try to knock down a banal Sixties office block in Neasden and a prime young conservationist will decry the act, berating us with the fact that this grim building is the sole surviving work of the Dollis Hill architects Sleaze & Largeface, and, moreover, is a unique example of bodge-frame construction.

Forced to play the which-buildings-would-you-like-to-demolish game, my own reply is that much British building from the 1830s to the present has been unspeakably ugly and ought to go. Why the 1830s? Because it was from this date that we began to smother Britain in mass-produced buildings - hideous rows of pinched, mean villas for Pooters and Gladgrind that today's middle-classes think quite super: mean-spirited churches, grim warehouses and then a superfluity of offices, an inundation of industrial tat and finally, over the past 25 years, the triumphal banality of supermarkets, shopping malls, business parks, country park hotels, golf clubs and motorway service stations.

Even if many of these buildings have been more or less inevitable, there are many I would love to drive a bulldozer through. I would aim first for the disfiguring acres of Victorian terraced houses that choke south London and many other British cities. These have none of the simple, beautifully proportioned elegance of their Georgian predecessors: they speak only of an England mean, grey and horribly repressed.

All cul-de-sacs, post-1939 and the Joke Oak and Neo-Gothic houses that sprout inside them would be razed and replaced by pastures, woodlands and meadows: those who live in them could come back to town, or emigrate to Canada, where there is plenty of space for the twin-garage lifestyle. All retirement homes for the over-55s, all superstores and all edge-of-town retail developments would be trampled underground.

Ninety-nine per cent of vernacular-style homes built, with good intent, by housing associations and

caring, sharing community architects over the past 25 years would have to go. Little Chefs and Happy Eaters, Travelodges and Novotels would be zapped from the roadside. Birmingham New Street, Birmingham International and Milton Keynes stations would bite the dust and be replaced by buildings proud to acknowledge that they had something to do with railways. Gatwick airport and all its themed cafés would be demolished, as would the whole of Heathrow.

Moving into town, the St James's shopping centre in Edinburgh, Wembley Conference Centre in west London, Camden Town Hall opposite St Pancras station, the Public Records Office in Kew and the Ark office block beside the Hammersmith flyover would come tumbling down. I would blast the recent buildings defacing the Thames near the former Bankside Power Station (these include chequered centres for banks among other arcanes and bureaucratic purposes) and those screening St Paul's cathedral from the River Thames opposite Bankside.

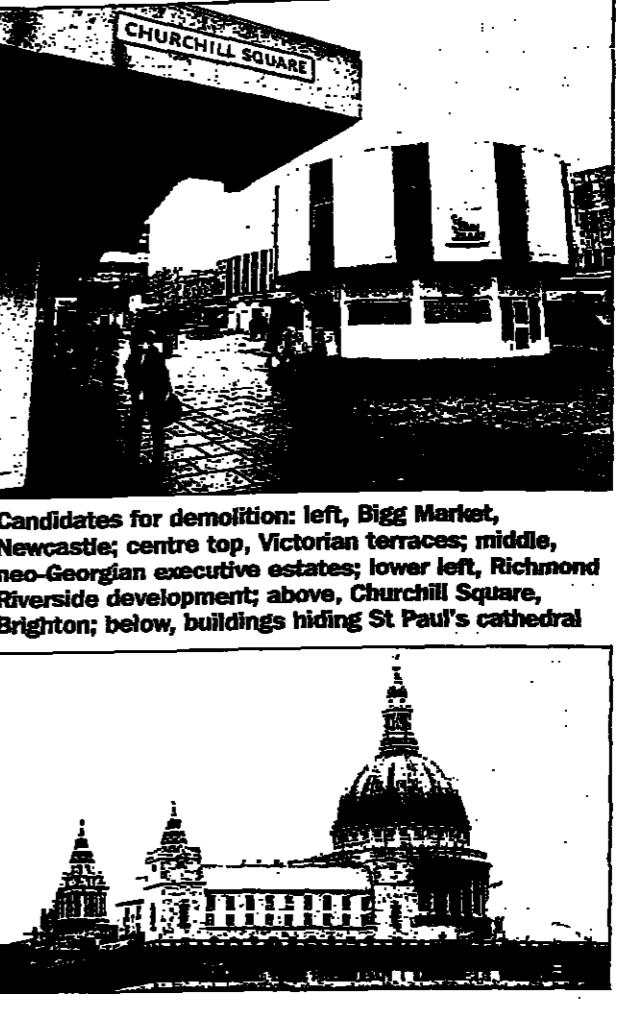
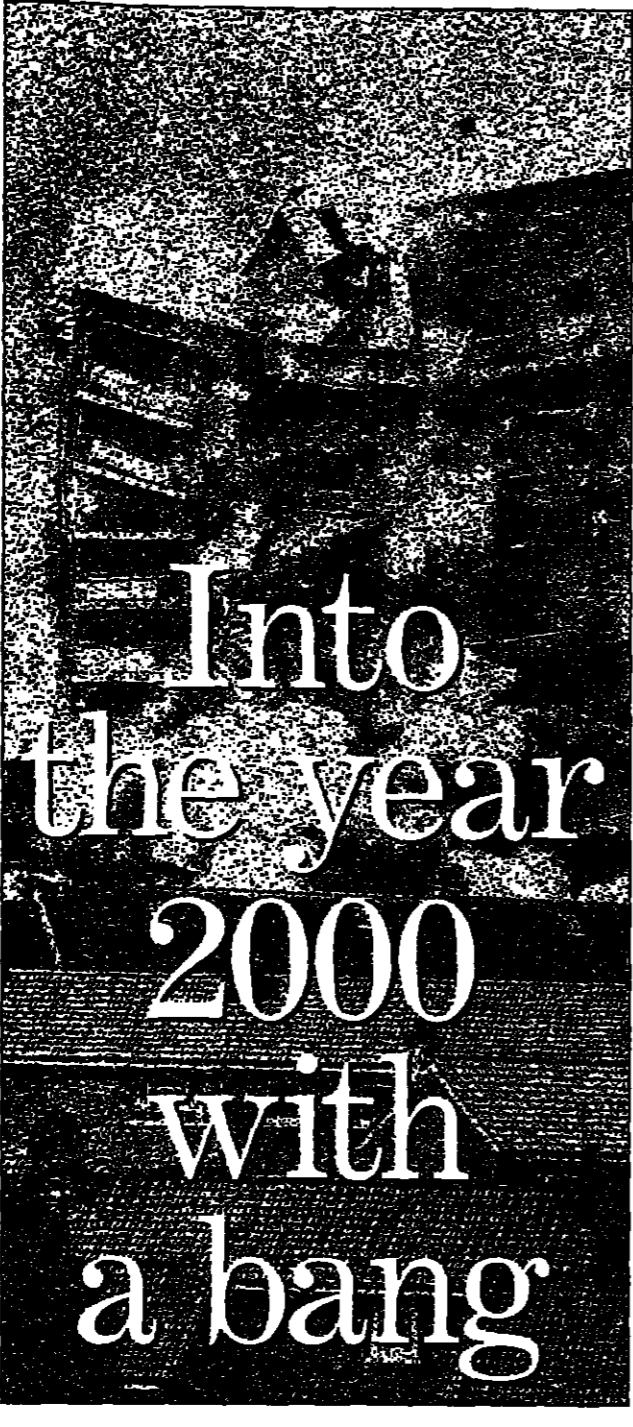
Richmond Riverside, the faux Classical office and shopping complex some miles west along the Thames and designed by St Quinlan Terry, would be sacked: in fact, any bogus Post-Modern classical twaddle would be banished, especially any building described as "witty".

I would root up pedestrian precincts, their gimp-crack herring-bone brick pavements, heritage-style street lamps and those horrid brick obstructions known as "planters" in which a few sad shrubs attempt to bloom and that serve best as receptacles for beer cans and greasy hamburger cartons.

This is just a start. Over the past 150 years, we have built so very much that it is no wonder that so many buildings are bland or horrid. Not every building ought to be a monument or masterpiece, because we would soon tire of architectural richness as we do of Christmas pudding and chocolate-covered figs, but those we do need might be designed and built with care and imagination.

Jonathan Glancey,  
Architecture Correspondent

tax  
deliver  
and



Candidates for demolition: left, Bigg Market, Newcastle; centre top, Victorian terraces; middle, neo-Georgian executive estates; lower left, Richmond Riverside development; above, Churchill Square, Brighton; below, buildings hiding St Paul's cathedral

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## A tax on the rich that delivers few votes and less revenue

**S**o it looks as though Tony Blair has won his argument with Gordon Brown over the top rate of income tax. We will have to wait a few weeks more for confirmation, but it seems that the plan supported by the shadow Chancellor, to increase the top rate of tax from 40 per cent to 50 per cent for incomes of more than £100,000, will not now go ahead. Mr Blair apparently felt that it gave the wrong signal about Labour's tax intentions.

But there is an even more powerful reason than Mr Blair's political judgement for opposing the idea. It is the possibility that, far from increasing tax revenue, it might actually cut it. Most people would assume that if you put tax rates up, people pay more tax. For most taxes and most people that is probably true.

But for the particular group of people who might be hit, this may not be right. To see why, here are some very rough calculations which show on various assumptions the extent to which any additional revenue would be offset by other declines.

The starting point is the Inland Revenue calculation that implementing this top rate of tax on all earnings over £100,000 would raise an additional £1.1bn in revenue. That may sound a lot, though it is actually only a third of 1 per cent of public spending. It seems astonishing, but that calculation is based on the assumption that there would be no change at all in people's behaviour as a result of the tax increase. That is unrealistic, for

there are bound to be some changes, and these changes are going to cut revenue. So that £1.1bn is an absolute maximum. The real total will be lower.

Start, then, with the £1.1bn. The people who might pay can avoid it in one of two (legal) ways. They can either leave the UK tax net altogether, or they can change their tax arrangements to cut nominal income. The first question is: how many people might leave?

There are about 120,000 people who have a taxable income of more than £100,000. Not many of those either have the opportunity or would want to go to the upheaval of moving abroad just because of income tax. The main group of people who emigrate for tax reasons are those selling businesses and retiring, and they are avoiding inheritance and capital gains tax rather than income tax. But some people might take the rise in income tax as a signal that other taxes might also be increased and act accordingly. Others might be trying to reach a decision and this would be the thing which pushed them over.

So let us assume that, within a couple of years, 3 per cent of those high earners, 2,400 people, would leave. That may be too high or too low, but it is at least a figure. For those people, the Exchequer loses all tax not just the income tax that they would have paid, but their capital gains tax, the VAT on their purchases, what they spend on oil, the council tax, and so on. Let us assume, too, that these tend to be richer than the average of the 120,000: that they have been earning £200,000 and paying a total of, say, £100,000 a year in all forms of taxation. That knocks £240m off revenues.

Next, look at the people who stay in the country, but change their habits. There are two possibilities here. One is simply to earn less. Some people who were going to retire soon



**Hamish McRae**  
Gordon Brown's  
50 per cent  
top tax rate  
would  
probably  
have failed  
as high  
earners  
emigrated  
or used  
loopholes

might decide to do so three or four years earlier than they planned. Others might trade money for lifestyle: leave the high-pressure job in the City and work for a charity. Let us assume that another 2 per cent of the 120,000 opt for a change of lifestyle and that their tax payments fall by, say, £250m.

The other change of habit is less radical, for it involves using the various available tax loopholes more thoroughly. Most high-earners are probably already using their full pension allowances, but not all will be. Assume that this prods most of those laggards into action, and that, at the margin, some high earners opt for other non-salaried benefits instead of more cash. A whole industry exists developing such reward packages, but at 40 per cent many people prefer the convenience of cash. Assume, too, that a rather higher proportion of taxpayers buys into tax-favoured investments such as enterprise investment trusts. If, on average, each of the 120,000 people managed on average to clip £5,000 off their tax bill in this way, that would be a further cut of £60m in revenues.

Add this up and you can see that a third of the additional revenue raised by the tax increase would very plausibly slide away. This direct loss might be much more: it is certainly hard to see it being less.

On top of this are the second-order effects: the impact on people who would not pay the tax, but fear that they might at some future stage find themselves doing so.

People on the present top rate of 40 per cent pay £30bn of the total £70bn income tax revenue. Any increase in income tax will focus attention on the various opportunities everyone has to cut their bill – typically by making sure that they take up their full pension allowances. If higher-rate payers chipped just 1 per cent off their tax bill by exploiting these schemes, that would be another £300m off revenues. Suddenly two-thirds of the expected gain from the tax increase is lost.

So, on these pretty cautious assumptions, after a couple of years, when people had had time to adjust their behaviour, the additional revenue would not be £1.1bn, but more like £300m to £350m. It might well be less. If one makes more radical assumptions about likely changes in people's habits, you could find the government actually losing revenue.

No one can prove this, because no one can predict how behaviour will change. But we do know from phenomena, such as the unpredicted surge in cross-Channel booze imports, that once people get it into their heads that they can avoid a tax, they will race to do so. If they think tax rates are being increased for largely symbolic reasons, then the impetus to avoid those higher rates is all the greater.

All the talk of a higher top tax rate will already have done some damage. Anyone who moves in these circles will know people who have moved out of the UK in the past year or so. Let us assume, too, that these tend to be richer than the average of the 120,000: that they have been earning £200,000 and paying a total of, say, £100,000 a year in all forms of taxation. That knocks £240m off revenues.

Next, look at the people who stay in the country, but change their habits. There are two possibilities here. One is simply to earn less. Some people who were going to retire soon

immediately because hospitals filed up fast before Christmas. "Face lifts and tummy tucks for the party season," he said. I felt I had no choice.

But how could the price have jumped by £500 overnight? I told a doctor friend, who said I had probably been marked out as a potential "private" the moment I walked into the consultant's room. I was advised to ring round some private hospitals and get quotes, and to negotiate if necessary.

I rang the next day, expecting to speak to the surgeon's secretary about fees. But I got Mr X himself on the line, his manner only a little more oily than the day before, and he called me "Elizabeth" at every opportunity. "Well, Elizabeth, I've done a few calculations and the cheapest package I can come up with is £2,500. We can't do it as a day case. Elizabeth, so you will have to stay overnight in hospital, and of course that pushes up the price."

"And you may need some plastic surgery to prevent your nose 'dropping' after we take out the cartilage, Elizabeth, and then there are the drugs you'll need afterwards. It is £800 up front payable to the hospital, Elizabeth, and then the rest after the operation." He urged me to book my bed

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**Liz Hunt**  
If you decide to jump the NHS queue and pay for surgery, you find yourself in a jungle. Be a 'consumer' and shop around

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## Heroes must do more than entertain us

by Suzanne Moore



If men really want to know about pushing oneself to the limits, about physical pain and endurance, they could try giving birth

Everything has been discovered. Physical hardship combined with the ability to endure solitude becomes the new territory to be annexed. There may well be courageous activities involved, but they are inherently selfish ones, contributing little to the general culture.

Yet we continue to make a distinction between those who choose to risk their otherwise cosy lives and those who starve, who are tortured, whose everyday lives are full of horrendous challenges, as if heroes were only the property of those who can afford to make such choices.

Likewise, we assume that the stresses of the mega-successful are somehow greater than those of the anonymous failures. Stress, living in the spotlight, the trappings of fame itself are spoken of as the final test of a man. I don't doubt that



**Mamei is not a statistic.**

She's not one of the 11,000 women who will die this week for want of something we take for granted... the basic human right to family planning.

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enough

## A nose for a bargain? Go private

**S**o this is how normal people breathe! For the first time in 30-something years the flow of air up my left nostril is unimpeded. The nasal twang I had always associated with my Scouse origins has diminished, and other people's slumber is no longer disturbed by my occasional snoring.

I underwent my nose job – definitely not cosmetic, but structural – seven weeks ago. It was my first encounter, as a customer, with private medicine. I am delighted with the result, but disturbed by what I discovered en route to normal service being resumed in what my surgeon described as "the most congested nostril I have ever seen".

When I was a baby I was dropped nose first on to a coffee table. I grew up as one of those adenoidal little girls who never quite made it to the top of the NHS waiting list to have them – my adenoids – whipped out, as was the fashion.

My accident had pushed the septum (the central partition inside the nose) to one side, and my nose had never developed normally as a result. I finally got an appointment at a London teaching hospital after a three-month wait. The problem, I was told by the consultant ear, nose and throat surgeon, could be rectified with a simple operation. "I'll put you on the waiting list," he said.



**Liz Hunt**  
If you decide to jump the NHS queue and pay for surgery, you find yourself in a jungle. Be a 'consumer' and shop around

immediately because hospitals filed up fast before Christmas. "Face lifts and tummy tucks for the party season," he said. I felt I had no choice.

But how could the price have jumped by £500 overnight? I told a doctor friend, who said I had probably been marked out as a potential "private" the moment I walked into the consultant's room. I was advised to ring round some private hospitals and get quotes, and to negotiate if necessary.

I rang the next day, expecting to speak to the surgeon's secretary about fees. But I got Mr X himself on the line, his manner only a little more oily than the day before, and he called me "Elizabeth" at every opportunity. "Well, Elizabeth, I've done a few calculations and the cheapest package I can come up with is £2,500. We can't do it as a day case. Elizabeth, so you will have to stay overnight in hospital, and of course that pushes up the price."

"And you may need some plastic surgery to prevent your nose 'dropping' after we take out the cartilage, Elizabeth, and then there are the drugs you'll need afterwards. It is £800 up front payable to the hospital, Elizabeth, and then the rest after the operation." He urged me to book my bed

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or should Keegan be more like Branson, who is happy to leave his to fly around the world in a balloon? Is Tony Bullimore, who thankfully was found alive, essentially any braver than a fireman who crawls into blazing buildings? And as many women have muttered to each other over the past few days, if men really want to know about pushing oneself to the limits, about physical pain and endurance, they could try giving birth.

Despite heroic efforts by the media, the other thing that is jarring about these action men is that they have basically failed. Branson's balloon came down; Bullimore's boat lost the race; Keegan had enough. Failure, however, is something that the prevalent mythology does not acknowledge. These men must immediately promise to have another go. The lexicon of boy's own adventure does not countenance failure. Nothing ventured, nothing gained translates into nothing learned.

Some adventurers, however, are not just prepared to admit failure but to learn from it, even to explore it, for in exploring their relationships with themselves they are also exploring their relationships with others. When Robyn Davidson went to live for a year among the nomads of India, she ended up ill with TB and tapeworm, angry and frightened. She writes in her book *Desert Places*: "Everything I had done here was fraudulent and absurd... And I would perpetuate this fraudulence by producing another useless artefact for western consumption, another bit of noise for a culture drowning in noise – an article for a glossy magazine with beautiful photos of beautiful India, beautiful noble Rabari, so that people could sit in the comfort of their homes or doctors' waiting-rooms and not see." Yet despite her experience, "of a series of disconnected events, without shape or meaning" she expresses a desire to go back. "Because where I come from, life wasn't hard enough, or dangerous enough, to demand greatness of individuals."

Our privileged heroes might say the same, that they seek to find greatness for themselves by seeking danger. Others may applaud them for enriching our lives by risking theirs, but some of us must wonder if there aren't greater and profoundly more life-enhancing causes to die for than Richard Branson's ballooning ego.

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tel: 0171 631 1546 email: populationconcern@btconnect.com Regd. Charity No. 1021639

# business & city

Business news desk: tel 0171-293 2636 fax 0171-293 2098  
BUSINESS & CITY EDITOR: JEREMY WARNER

## BZW's £6m man needs to produce some results fast

**Bill Harrison**, recently appointed chief executive at Barclays' investment banking arm, BZW, is a man in a hurry. And well he needs to be, according to banking analysts. BZW remains a comparatively poorly performing investment bank, even after a boom year in capital markets which has seen many City traders transformed into millionaires.

Suggestions in the City that he has already had one business plan torn up and thrown back in his face are vehemently denied by both Barclays and BZW. But this has failed to bury rumours of growing concern at Barclays head office over poor re-

Lacklustre performance is worrying the City, despite Bill Harrison's hiring and firing. Jill Treanor reports

tums and strategy in investment banking.

Mr Harrison, a 48-year-old plain-talking Brummie, was lured from Robert Fleming, the merchant bank, this summer on a pay deal worth £6m over five years. He arrived just after Bob Diamond, the other key recruit in the new-look BZW. Mr Diamond runs global markets in return for a pay deal which is rumoured almost to match that of Mr Harrison.

So far progress has been slow.

John Leonard, a top banking analyst at Salomon Brothers, has cut his pre-tax profits forecast for BZW by £118m in the second half of 1996 to £118m, despite the fact that most other investment banks in the City are on track for a record year.

In the first half, before Mr Harrison took the helm, after the death of David Band, BZW made profits of £157m, a figure which disappointed some analysts at the time.

According to Mr Leonard, the new regime has so far been finan-

cially negative in its impact – rising costs and falling revenues. Mr Diamond is rumoured to have fired as many as 130 staff and hired the same number again, quite possibly on higher pay deals.

According to insiders, staff have been so busy watching their backs that they have not had time to go out and win business. At the same time key personnel who had developed good relationships with clients have been fired.

Mr Diamond has ousted senior

figures such as Klaus-Peter Moeritz, head of foreign exchange trading in the UK and Europe, and Alex von Ungern-Stenberg, deputy chief executive of the markets division. Others who have gone include Yann Gindre, head of debt origination, Nick Carter, head of swaps marketing, Paul Ellis, head of structured products, and Rob Jointe and Steve Hones, joint heads of debt syndicate.

Mr Harrison, meanwhile, has been busy instilling fear in his staff

with his phenomenal appetite for work. He claims, apparently seriously, that time spent at home is a wasted marketing opportunity.

"The personnel changes in BZW's fixed income unit may have at least temporary revenue implications as well as adding to costs," Mr Leonard said in recent research. However, while he has trimmed his forecasts for the entire Barclays group for 1996, he is confident about the bank's performance in 1997 and 1998.

Robert Law, banking analyst at

Lehman Brothers, the US investment bank, also expects costs to rise at BZW. He forecasts a rise of 10 per cent, which will account for most of the cost enhancement of the entire Barclays group.

Costs are also rising because BZW is in the process of moving to new premises in Canary Wharf, analysts point out. All points to a picture of rapidly escalating costs and poor return on capital. But although there may be special factors at work at BZW, this is by no means a unique set of circumstances.

CONTINUED ON PAGE 26

## Insurers fail to cut charges after disclosure

Nic Cicutti



Colette Bowe: Faces little enthusiasm for competition

Insurance companies are still refusing to cut charges on the policies they sell, almost two years after new rules forcing costs to be disclosed, the Personal Investment Authority admitted yesterday.

Despite hopes of a price war in the wake of the new disclosure regime in 1995, most companies charge as much on their policies as last year, according to a survey by the PIA. This is in contrast to claims three years ago by the Securities and Investments Board, the senior regulator, that the new disclosure regime would yield annual savings of £1bn for policyholders.

While the average charges imposed by all insurers dropped by 3.9 per cent across the board compared to 12 months ago, this was mostly accounted for by uncompetitive companies whose products are among the least accountable to investors.

The PIA survey, published yesterday, comes amid increasing consumer dissatisfaction with the high charges levied by insurers on their products, including personal pensions.

Harriet Hall, legal officer at the National Consumer Council, said: "A lot of people find the terms used, such as 'reduction in yield', difficult to understand."

The purpose of disclosure was

to attempt to get competition going. This now needs careful monitoring to ensure competition does take place."

Ms Hall, however, welcomed the publication of the disclosure document, which she said offered consumers an opportunity to make more informed choices.

The figures also indicate that where companies had the chance to sell their products across several distribution channels, at least one of which was cheaper, they made no attempt to reflect this in the costs imposed on consumers.

Among the firms which have refused to differentiate between the channels selling their pension products are AXA Equity & Law, Clerical Medical, Norwich Union, which is to float on the stock market later this year, and Sun Alliance, now merged with Royal Insurance.

The PIA yesterday refused to comment publicly on this new evidence. But it is understood that the regulator is growing increasingly concerned at the unwillingness of companies to compete within the new climate offered by the disclosure rules introduced under its chief executive Colette Bowe two years ago.

It also broke with past policy by publicly acknowledging for

the first time that some companies, particularly those who still collect premiums door-to-door, can only achieve vaguely generous maturity payouts to the handful of policyholders who get that far by penalising the vast majority who halt their contributions early.

The report shows that independent financial advisers

### Personal pensions – how much the big insurers charge

	25 Year Unit Linked Personal Pensions, monthly premiums of £50 (assumes annual growth of 9 per cent)			
	5-year effect of deductions (£) 1996	maturity reduction in yield - (1996 %)	5-year effect of deductions (£) 1995	maturity reduction in yield (1995 %)
AbbeyLife	1,940	2.1	1,900	2.1
Abbey National Life	1,200	1.8	1,400	1.8
Albany Life	2,030	2.0	2,053	1.9
Allied Dunbar	1,730	1.8	1,780	1.7
AXA Equity & Law	1,610	2.2	1,610	2.2
Barclays Life	1,120	1.8	1,130	1.8
Black Horse Life	1,500	1.9	1,500	1.9
Britannia Life	1,777	1.9	1,770	1.9
Britannia Assurance	1,250	1.8	1,250 (WIP)	1.8 (WIP)
Canada Life	1,580	2.1	1,580	2.1
Clerical Medical & General	1,610	2.2	1,610	2.2
Colonial Mutual	1,590	2.1	1,780	2.1
Commercial Union	1,320	1.8	1,320	1.8
Cornhill	1,900	1.4	1,900	1.4
Cooperative Insurance Society	1,270 (WIP)	1.2 (WIP)	1,240 (WIP)	1.2 (WIP)
Eagle Star Life	1,820	1.7	1,280	1.7
Equitable Life	283	0.9	254	0.9
Friendly Provident	1,160	1.6	1,170	1.6
General Accident Life	1,200	1.9	1,280	1.8
Guardian Financial Services	1,570	1.8	1,110	4
Legal & General	1,640	1.5	1,640	1.8
Lincoln Mutual	1,780	1.9	1,800	1.9
London & Manchester Assurance	1,640	2.2	1,600 (WIP)	2.0 (WIP)
Midland Life	1,040	1.8	1,040	1.8
National Mutual Life	1,210	1.5	1,110	1.3
National Provident Institution (NPI)	1,080	1.8	1,080	1.8
NatWest Life	1,110	1.9	1,200	2.0
Nationwide Life	1,360	1.8	1,24	1.4
Norwich Union	1,400	1.6	1,400	1.6
Pearl	1,350 (WIP)	2.3 (WIP)	1,430	2.6
Refugee Life	1,400	2.5	1,400	2.5
Royal Life	2,020	2.8	2,000	2.7
Scottish Amicable	1,430	1.5	92	1.1
Scottish Equitable	1,270	1.8	1,200	1.7
Scottish Life	1,410	1.8	1,334	1.8
Scottish Mutual	1,820	2.1	931	2.2
Scottish Provident	1,270	2.1	1,370	2.1
Scottish Widows	821	1.8	616	1.7
Standa Life	1,880	1.8	1,880	1.8
Standard Life	748	1.9	746	1.9
Sun Alliance	797	1.9	713	1.8
Sun Life	1,670	2.0	1,650	1.9
Sun Life of Canada	1,460	1.8	1,770	2.7
TSB Life & Pensions	505	1.8	505	1.8

When charges for annuity products have not been available, those for with-profits products (WIP) are used, as indicated. Where different charges are listed by companies, the cheapest fees listed.

Reduction in yield is the average annual fall in the value of a policy after company charges and commissions have been paid.

## Hansen steps out for fresh debut

Patrick Toohoo

and what is not in the world of football will be as wide of the mark.

Mr Hansen will not be offering the fund investment advice as such. He has taken no regulatory examinations and for him the letters SFA still mean Scottish Football Association rather than the Securities and Futures Authority.

"I'm only here to give my opinion and advise on the prospects of clubs," he insisted yesterday.

What Mr Hansen did provide was a typically sober assessment of who are likely to emerge as the winners in the headlong rush of football clubs to seek listings on the Stock Exchange.

"You are only as good as the 11 players on the pitch. When you go public you have got more money to buy better players. Success breeds success."

The problem, Mr Hansen acknowledged, was that very few quality players were available and expensive imports tended to disappoint. "Some of the continental players haven't the heart for the competition," he continued. "They have to play as hard as the rest on a wet rainy night in January."

Mr Hansen was more sanguine about Manchester United's youth policy. "You can't win anything with kids," he famously opined to the watching millions. Unfortunately for Mr Hansen, Manchester United went on to win the League and FA Cup double.

Only time will tell if Mr Hansen's forecasts for the new fund about what is hot



From player to pundit: Alan Hansen will forecast for fund

took over tomorrow the gloom and doom will be lifted."

The Singer & Friedlander football fund aims for capital growth and will invest up to £200m in individual clubs in Britain and Europe as well as related companies in sports-wear, retailing and media. The minimum lump sum investment is £1000 with a regular savings scheme available from £50 a month. An initial charge of 4.5 per cent will be levied, plus an annual management fee of 1.5 per cent.

We are not going to invest

in every club, we are going to be selective," Mr Fraher said.

"That's why we signed Alan.

He will tell us things we would never know."

S & F expects the fund to

have wide appeal among fans

and private investors as well as

larger institutions seeking

exposure to a football sector

whose shares have risen by

696 per cent since 1993 – outstripping the stock market as

a whole by a factor of ten.

Critics say the fund is being

launched when football shares

have already scored their most

spectacular gains. S & F believes

sponsorship deals, merchandising and increased television

income from pay-per-view will

secure the fund's future growth.

## Investors call for Sears chief executive to quit

Nigel Cope

The troubled Sears retail empire, which spans the Selfridges department store and Freeports mail order businesses, was heading for break-up yesterday after the group delivered the latest in a series of profit warnings.

Institutions were left fuming by a disastrous trading update which said that Sears' pre-tax profits for the full year would be "significantly below" last year's £100m. The group said its Christmas sales had been poor with particularly weak performances from its Freemans and footware businesses.

Institutional investors immediately called for the dismissal of Liam Strong, the group's chief executive. Sears' Christmas trading statement was seen as his last chance to repair City confidence after a five-year tenure characterised by poor trading and false dawns.

One shareholder said: "It's yet another disappointment. Other retailers seem to be able to get their act together when they have the right man at the helm. Five years is convention-

ally considered long enough for a chief executive to put a strategic plan together."

Though Sears chairman Sir Bob Reid said he and the board still supported Mr Strong, the vote of confidence failed to convince the City. One shareholder said: "We would like to meet the chairman to hear exactly why he is so supportive of the management."



## COMMENT

'Present legislation places the Secretary of State in a quasi-judicial position when deciding whether or not to allow takeovers to proceed. That is always a dangerous place to leave an ambitious politician'

CONTINUED

## Kinnock set back for BA hopes alliance

Chris Godsmark

Business Editor

British Airways

BA

Kinnock

set back

for BA

hopes

alliance

## Jobless at new high in struggling Germany

Imre Karacs

Bonn

Unemployment in Germany hit another post-war high in December, amid signs that the economy is again grinding to a halt after a modest recovery in the second half of last year.

According to figures released by the Federal Labour Office yesterday, unemployment rose by 48,000 last month to a seasonally-adjusted 4.156 million – equal to 10.8 per cent of the workforce. And next month the number of jobless is projected by economists to reach 4.5 million.

Much of the rise is attributed to a down-turn in the construction industry, exacerbated by the extremely cold weather that has been gripping Germany for the past fortnight. Economists have warned that the big freeze could push the overall German growth rate in the first quarter into negative figures, repeating last year's trend.

Even without the weather, the economy is faltering. Provisional figures released yesterday by the National Statistics Office showed last year's growth rate at 1.4 per cent, marginally below forecasts and much lower than the previous year's performance. The office estimates Germany's budget deficit for 1996 was around 3.9 per cent – well above the Maastricht target for European monetary union.

Whether the government can keep its budget deficit within 3 per cent in EMU's qualifying year will depend on the growth rate, which it predicts will be 2.5 per cent this year. That forecast is already off target, however, as it did not anticipate the current slow-down. A larger-than-expected unemployment rate will also place a heavy burden on expenditure, straining the budget beyond the permitted limits.

A lot of people have had good cause to rue Alan Lang's capricious approach to mergers policy over the last year. But George Simpson, now managing director of GEC, is not one of them. When GEC bid for the warship builder, VSEL, the Monopolies and Mergers Commission decided it should be sent packing on the not unreasonable grounds that Britain only had three such yards and GEC already owned one of them.

Fortunately for GEC, Michael "National Champions" Heseltine, was in charge then at the Department of Trade and Industry and he duly brushed the MMC's recommendations aside. Would GEC have fared differently had Mr Lang then been in the hot seat?

In short, it is impossible to say. Mr Lang has executed so many U-turns since he arrived that if he isn't dizzy and thoroughly confused, then the rest of the business community certainly is.

In his last pronouncement on the subject, the President of the Board of Trade made it crystal clear that mergers which increased market domination or created national champions were not on. Since then he has blocked the Bass/Carlsberg tie-up deal but approved British Airways alliance with American Airlines. How's that for consistency?

Step forward Mr Simpson to inject some clarity. In his other incarnation as a member of the cumbrously titled Commission on Public Policy and British Business, Mr Simpson has the chance to strike a blow for all those not as fortunate as GEC.

A report due out from the commission next week will conclude that the Government's competition policy is in a mess. That much we knew. It hardly takes a committee of the great and the good to point out that this administration's track record has been contradictory, weak and driven by short-term political considerations.

Would Labour perform any better? Probably not. The old style corporatism that would creep back in would almost certainly put paid to a rational or consistent competition and mergers policy.

The core of the problem, as the commission's report highlights, is that present legislation places the Secretary of State in a quasi-judicial position when deciding whether or not to allow takeovers to proceed, and on many other matters concerning competition policy. That is always a dangerous place to leave an ambitious politician.

The solution proposed by the commission is to allow ministers to continue making the final decision but then require them to set out their detailed reasoning in public, thus making the whole process transparent. This doesn't go far enough.

While there is something to be said for making sure the buck ultimately stops with elected politicians, there is a stronger case for removing temptation from the grasp of departmental ministers altogether and allowing the courts or some kind of independent cartel office to act as final arbiter. As things stand, competition policy is too

often determined by political whim or favour. Removing these powers from the politicians would go a long way towards depoliticising the process, making pro-competition policy a generally accepted thing across the political divide, as it is in the US.

### Break-up of Sears must be on the way

It is just as well as Liam Strong, chief executive of Sears, is a lover of military history. His hero is General Ulysses S Grant, whose motto was: "Find your enemy, then move in on him and hit him hard and keep on hitting him." Sadly for Mr Strong, the City has identified him as the enemy at Sears and has been hitting him hard for some time. He now appears fatally wounded.

The polished, almost impish Ulsterman is unlikely to go quietly, however. He is fighting for his business reputation. When he jetted in to Sears from British Airways five years ago, Mr Strong was thought capable of great things. But indecisiveness and caution appear to have got the better of him. Formats and management have been chopped and changed. And the radical pruning of the Sears portfolio was delayed until it was too late.

Sears has proved a woeful investment in the Strong years. Institutions were giving him one last chance to prove that Sears could trade its way out of difficulties. He has

bogged it and it now appears certain that he will be offered up for sacrifice. To be fair, there is an argument that Sears was always such a mess that was beyond the wit of even the brightest manager. Unfortunately that will not help Mr Strong now. The City is in no mood for excuses.

And with Sears in all this? As an empire it is crumbling and a break-up is surely not far away. Lord Wolfson, the new chairman of Great Universal Stores and Next, has a theory that most of the strongest retailers are single brand entities. There was never any worthwhile link between most of the disparate Sears formats. Now the name looks set to be consigned to the dustbin of British retail history. It will not be mourned.

### No life insurance revolution yet

The theory behind the move to fuller disclosure of life insurance charges, which began in 1995, was that it would focus the minds of customers on the best value products. As the business then flowed to the better companies, the rest of the industry would have to slash its costs and reduce its charges to remain competitive.

But so far it has not happened, at least judging by this year's statistics from the Personal Investment Authority, which show only a very small overall reduction in charges, and a slight increase among the companies

which were already at the low end of the scale. So soon after the start of the disclosure regime it would perhaps be surprising if the market had been radically transformed. These things take time.

New information must be absorbed and understood. Just as important, the present framework for disclosure allows loopholes which will have to be tackled before customers can rely on the figures. Companies can easily distort the figures by, for example, arranging charging structures so that there is a good return for policies held to maturity but spectacular levels of charging in the first few years. The effect is to slash returns for those who quit early. There is plenty of room for tightening up in this area.

However, let us not be churlish about it. There is evidence that the pressure of disclosure is forcing changes on the industry. Look at the decision by Eagle Star this week to offer a policy with a full refund of charges to those who quit in the first two years.

However, it will take a long time to counteract the damage done by the personal pensions mis-selling scandal and the continuing high level of charges which have discredited private sector pension providers in many eyes - most significantly those of the Labour Party. The party's proposed stakeholder pensions are a way of bypassing high-cost personal pensions by setting up large pooled funds. Having been dragged kicking and screaming into cutting its charges, the insurance industry may find it has left it too late.



Kenneth Clarke (left) meeting his Japanese counterpart, the Finance Minister Hiroshi Mitsuzuka, in Tokyo yesterday. During the Chancellor's three-day visit they will be discussing the state of their respective national economies

## Mortgage lending highest in years

Peter Rodgers

Financial Editor

Mortgage lending last year reached a six-year record of £71bn. Barclays Bank said yesterday in a survey that confirmed the buoyant state of the housing market.

At the same time, the CBI reported retail sales over the Christmas period were well up on a year earlier, though it was not the boom predicted by some retailers.

According to the CBI distributive trades survey, which covered sales from 5 December to 2 January, 52 per cent of retailers reported higher levels of business and 19 per cent said they were down.

This left a positive balance of 33 per cent reporting growth, only marginally more than the balance of 31 per cent a year earlier. However, the CBI said the three-month average suggested that underlying growth of retail sales "remains fairly strong".

Barclays found that there were more than twice as many home buyers as sellers in the housing market, with one person in six looking for a new home but only one homeowner in 13 prepared to sell.

Those most likely to put their homes on the market lived in London and the South-east, where prices rose last year.

There was an increase of two-thirds in public confidence that house prices would rise over the next 12 months, said the bank. In London and the South-east 69 per cent believed the value of their homes would increase over the period.

The Barclays survey coincided with evidence of a sharp rise in housing starts, with a 15 per cent increase in the three months to November compared with the previous three months.

Economists at Schroders, the merchant bank, forecast house price inflation to be up 10 per cent, followed by 8 per cent next year, and said house price gains would exceed mortgage rates for the first time in seven years.

Building societies have suggested 7 to 8 per cent growth in house prices.

## Tokyo's new year sell-off gathers pace

Tom Stevenson

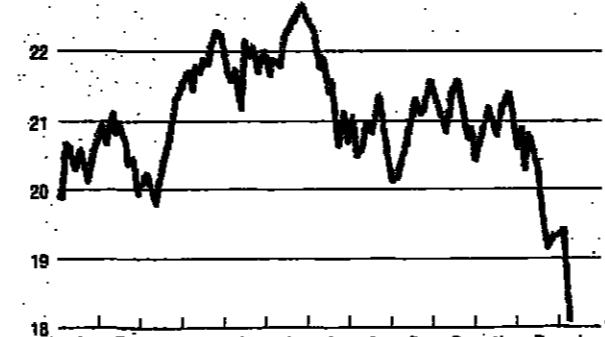
City Editor

The new year sell-off in Tokyo accelerated yesterday as Japan's benchmark Nikkei 225 index fell more than 600 points, its third sharp fall in a row and the heaviest one-day decline since April 1995. In the four trading sessions so far this year, the Nikkei has slumped almost 1,300 points to its lowest level for 14 months as investors have panicked, fearing that bad debts and low growth will continue to hobble Japan's financial institutions and economy.

The collapse in Japanese shares coincided with a visit to the country by the Chancellor of the Exchequer, Kenneth Clarke, who contributed to the debate on the future of Japan's markets by calling for more rapid deregulation of the heavily controlled financial system. He also advised Japan's Finance Minister,

### Nikkei slumps again

225 Stock Average price index, 000s



Hiroshi Mitsuzuka, to use privatisation to reduce the government deficit. The Japanese government, which faces a 7.4 percent annual fiscal deficit, is aiming to reduce the deficit to 3 per cent or less by 2005.

Mr Clarke is understood to believe that the government should move quickly that a projected five-year deregulation programme. Mr Mitsuzuka responded that the government intends to implement deregulation sooner if possible, and reminded him that the non-life insurance market will be completely deregulated by July 1998.

Japan's stock market has been the biggest loser among the world's bourses so far this year with all its main indexes having lost more than 5 per cent of their value. At Thursday's close of 18,073.87, the Nikkei remained firmly locked in the depressed trading range it has been stuck in since 1992 when the market finally bottomed out after a 50 per cent plunge from its 1990 high of almost 40,000.

For almost five years the Nikkei has threatened to break out of the 15,000 to 20,000 trading range but recurrent worries that the government is unable to stop the decline in land prices or clean up the bad debt hangover from the late 1980s bubble economy have so far kept equities in check.

Yesterday Mr Mitsuzuka said the government had no plans to boost the Tokyo stock market, causing Japanese investors to fret about a repeat of 1995's fall in the Nikkei to less than 15,000.

Asahi Mutual Life Insurance's Koichi Kurata said: "The market is going to continue to decline unless the government does something. The biggest problem continues to be bad debt. Investors were pretending the problem had gone away."

Japan's tumbling stock market was viewed phlegmatically by European markets yesterday, with the plummeting Nikkei index providing little more than a long-distance spectator sport for traders here.

Although Japan is the world's second-biggest economy, few European companies have a meaningful exposure there. Fears of slowing growth have so far kept equities in check.

Economists at Schroders, the merchant bank, forecast house price inflation to be up 10 per cent, followed by 8 per cent next year, and said house price gains would exceed mortgage rates for the first time in seven years.

Building societies have suggested 7 to 8 per cent growth in house prices.

## Multi-billion bid war for Hughes Electronics

David Osborne

New York

A multi-billion dollar bidding war for the defence electronics business of Hughes Electronics, which has been put on the block by its parent, General Motors. The outcome could determine the final contours of the US defence industry after four years of consolidation.

Head-to-head in the battle for Hughes is Raytheon, which earlier this week disclosed that it was acquiring the defence electronics units of Texas Instruments and Northrop Grumman. Winning the race could be critical to each company's hopes of long-term survival as an independent force in the industry.

Raytheon was reported yesterday to have offered \$9bn (£5.3bn) for the Hughes business. Northrop Grumman,

however, was believed to have submitted a bid that is higher by perhaps \$200m-\$300m.

Jack Smith, chairman of GM, refused yesterday to comment on the reports which a spokesman termed as "speculation". "We're just going to have to let that play out," Mr Smith said at a car show in Detroit.

GM has for some months been seeking a way to refocus its businesses on car making. While anxious to divest itself of Hughes, it is likely to retain the automotive-electronic parts of the company and perhaps fold those into GM's own Delphi Automotive Systems.

For sentimentalists, the break-up of Hughes will mean the disappearance of a name that is still associated with the legendary eccentric Howard Hughes, who founded the once-mighty Hughes empire in a disused aircraft hanger in south-

## General Motors and VW near settlement

Imre Karacs

Bonn

involved, but progress was being made on the wording of VW's grovelling apology.

"I would not comment on ongoing settlement negotiations," VW spokesman Klaus Kocks said.

"We do very much appreciate the moderate and fair wording of my colleagues on the [GM] side," he added.

GM confirmed that representatives of the two companies were holding secret talks last night in an attempt to reach a formula that would placate GM, whose executive Jose Ignacio Lopez is alleged to have taken secret documents to VW when he was poached by the German company in 1993.

Mr Lopez resigned from VW last month, just before he was indicted by a German court for industrial espionage.

GM continued to insist, however, on compensation running into billions of dollars, and an apology from the VW board, which never admitted that it had benefited from Mr Lopez's stolen files. There was no word last night of the compensation

German prosecutors last month indicted Mr Lopez and three other former GM managers who went with him to VW on charges of stealing GM secrets.

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# business

## They don't come better than Goode

### THE INVESTMENT COLUMN

EDITED BY TOM STEVENSON

The progress of Goode Durrant just goes to show that not all stock market turnarounds are overnight successes. Michael Waring beavered away for years after buying in and taking the reins in 1985 with little apparent benefit to shareholders. But, as the chart shows, things have been coming right in spades over the past three years for what is now a pure vehicle hire and equipment rental group.

The business has been a stellar performer as the UK pulled out of recession and the latest half-year figures to October are no exception, with pre-tax profits rising 13 per cent to £15.2m. But Goode's management deserves full credit for the performance of its Northgate vehicle hire operations, which represented 95 per cent of operating profits in the period and is the UK market leader in light commercial vehicle rental. The latest figures came despite a 2 per cent fall in hire rates as rivals scrambled for volume at the expense of margins.

The market is already showing signs of stabilising and the decision to concentrate on this sector of the market has proved well made over the long term. The business has grown consistently, while Goode claims never to have made a loss when selling on its vehicles after their typical two-and-a-half year life with the group. Its success is a strong argument for its four-year depreciation policy, even if purists might suggest it would be more appropriate to write the van fleet down over its 30-month average life with the group.

But the totem around which Mr Waring runs his business is utilisation rates, which have hardly wavered from 91 per cent since 1992. He argues that if fleet usage falls below that level, it is time to sell and, given the resale values, he has no problem getting rid of the excess. Thus far, the fleet has grown steadily, as the successful formula of flexible rental, formalised under the Norflex brand name last autumn, has continued to win customers.

Recent wins, including Rolls-Royce, Coca-Cola and Ever Ready, add to a lengthening list of blue-chip clients and the long-term omens look excellent. Northgate's 7 per cent share of a total hire fleet which is just 7.5 per cent of the total number of vans on the road suggests bags of scope for overall market growth and the group's share within it.

The potential is illustrated by the fact that some 28 per cent of the more developed US van fleet is supplied through rented or leased vehicles.

Goode must live on its wits to retain its customer base, given the lack of any contractual relationship. More serious doubts could be hung around the discounts received from Ford for buying so many of its vehicles every year. That will account for over half group profits this year, but shows no sign of be-

ing withdrawn in the short term. These are minor caveats and an upgraded forecast of £25m from Mees Pierson suggests the shares, up 6p at 414.5p, are still good value on a forward rating of 14.

### British Borneo wealth warning

British Borneo's shares have gushed in the past year, rising three-fold on the back of a rising oil price, a steady flow of good exploration news and most recently buoyed by the takeover speculation that has frothed around the sector since Gulf Canada made a £430m tilt at Clyde Petroleum.

Yesterday's news that its Morpeth field in the Gulf of Mexico probably holds 50 per cent more oil than previously expected sent the shares sharply higher again.

Trading at less than 800p a week ago, the shares broke through £10 yesterday to close at 1,010.5p, a record high for the stock.

Early expectations for Morpeth had put reserves at about 50 million barrels of oil equivalent. Yesterday Borneo said it expected the field to yield 77 million barrels and said that under optimum conditions it could produce as much as 92 million.

#### Goode Durrant: at a glance

Market value: £225m, share price 416.5p

	1994	1995	1996	1995	1996
Turnover (£m)	101	123	105	85	100
Pre-tax profits (£m)	10.8	14.2	21.3	13.4	15.2
Earnings per share (pence)	14.5	18.4	26.4	16.2	19.8
Dividends per share (pence)	6.0	7.2	8.6	2.8	3.2

Vehicle fleet thousands	1993	1994	1995	1996
15	10	12	14	16

Share price pence	1992	93	94	95	96	97
50	50	100	150	200	300	400

The Morpeth announcement was the latest in a string of positive moves by the explorer that has seen it exploit close links with BP and Shell in the Mexican Gulf, widely viewed as one of the world's most exciting exploration areas.

Earlier this week, the company said it was buying a 40 per cent stake in a BP field and last month it bought rights to drill three tracts held by Shell.

It is quite some transformation for a business that eight years ago was nothing more than an oil sector investment trust.

In the interim, under the guidance of youthful chief executive Alan Gaynor, British Borneo has built up an enviable portfolio of exploration and production assets and it is little surprise that it has been widely tipped as a takeover candidate.

Anyone who has missed the party so far, however, should tread very carefully and cast their memories back to the early 1980s when the sector last had its moment in the sun. Ten years ago the oil sector shared many characteristics with today's volatile biotech stocks.

The problem for any investor in oil explorers is that valuing the companies is little more than a finger-in-the-air exercise. It involves assumptions about the oil price, the size of reserves, exchange rates and, most importantly, the interest rates used to discount back

future cash flows. Small changes in one or several of those can cause giant swings in value both up and down.

Some analysts believe Borneo shares could be worth up to £12. Others, especially those who think a takeover at this level unlikely, are recommending profit-taking and a switch into a more likely bid target such as Cairn Energy. After such a strong run, caution should be the watchword.

### Reg Vardy motors on

In an industry still stuck with an Arthur Daley image, Reg Vardy stands out. The Sunderland-based car dealer was one of the first to spot the potential of nearly-new vehicles when the bottom fell out of the new car market in 1989 – the year Vardy joined the stock market at 90p.

Since then the shares have bounded ahead, partly on the back of Vardy's nous for spotting trends early. The latest shift is for manufacturers to favour a geographical market approach rather than granting one-off dealerships – leaving distribution of their cars to dealers responsible for their own patch.

This requires a significant level of capital expenditure by distributors so Vardy, along with several other motor dealers, was not slow to come cap in hand to investors last year, raising £7.7m via a one-for-five rights issue at 300p.

The shares drifted south following the cash call, partly due to poor autumn sales, but yesterday's better than expected results helped restore confidence in the shares, which closed 23p higher at 315.5p. Shares in Pendragon, another well-regarded motor dealer, jumped in sympathy.

Vardy's pre-tax profits before one-off items rose by 26 per cent to £7.86m on sales 23 per cent ahead at £344.6m thanks to strong organic growth in both vehicle sales and after-sales operations. Just under two-thirds of the 36,572 (30,125) units shifted were used vehicles, where the underlying increase in gross profits was an impressive 36 per cent.

Vardy used the rights issue money to cut gearing to 11 per cent and to increase the number of car dealerships to 43, with a target of 60 within a couple of years. Recent franchises awarded include Fiat in Birmingham and Honda in Newcastle.

Despite rising interest rates and the buying hiatus a general election is likely to cause, prospects remain good. Broker Granville Davies sticks with its full-year pre-tax forecast of £17.3m rising to £18.3m in 1998, implying a price/earnings ratio of 14 falling to less than 13. Solid value.

## ITV gets set for £88m payout by Channel 4

### Matthew Horsman

Media Editor

Channel 4, the public service broadcaster, will write a cheque for £88m payable to ITV companies in three weeks' time, with Michael Green's Carlton Communications, the leading Channel 3 broadcaster, set to receive about £7.8m.

The payments are due under the controversial Channel 4 funding formula, which obliges the fourth channel to pay any excess it earns from advertising revenues over and above 14 per cent of total qualifying revenue in the terrestrial television sector. Last year, £7.4m was paid out by Channel 4.

Carlton's share, which relates to its Central and London weekday franchises, represents just under 10 per cent of estimated 1997 pre-tax profits, according to media analysis.

Lesser amounts are due to other ITV companies, depending in part on their share of national advertising revenues. HTV, for example, is in line to receive £6.4m.

Critics of Channel 4 say the

payments are necessary to ensure that the channel maintains its commitment to "alternative" programming. The commercial success of the channel has been helped by hit series imported from the US, which in turn have allowed it to bid even more for programmes.

This year, the programme budget is set to rise by 17 per cent to £320m, roughly a par with BBC2.

Channel 5's chief executive, David Elstein, long a critic of Channel 4, said last night that the fourth channel should have its remit changed to ensure that it provided an alternative programming service to both ITV and the new Channel 5 service.

The system is expected to be reformed in 1998, with payments reduced to zero. ITV companies have argued strenuously against the reforms.

Channel 4 insiders said last night the payments were "iniquitous" and again called on the Government to make a formal pledge to reduce the payments by 1998.

Critics of Channel 4 say the



Channelling cash: Michael Grade has led a vociferous campaign to abolish the funding which he says reduces programming flexibility

### IN BRIEF

• US producer prices rose 0.5 per cent in December, more than twice as fast as market expectations and up from an 0.4 per cent increase the previous month. The official government figures showed that for the whole of 1996, producer prices were up 2.8 per cent, an acceleration from the 2.3 per cent rise recorded in 1995. The core rate, which excludes volatile food and energy prices, nudged ahead by 0.1 per cent in December against a consensus figure of 0.2 per cent. Separately, the Labor Department revealed that initial claims for regular state unemployment benefits fell 13,000 to 361,000 for the week ended 4 January.

• A consortium led by British Nuclear Fuels, the nuclear waste reprocessor, yesterday won a £650m contract from the US to clean up a former weapons research and design site in Idaho. The 30-year contract takes the value of BNFL's reprocessing business in the US to \$2.6bn (£1.5bn). BNFL, which operates the Sellafield site in Cumbria, is being partnered by five other companies.

• The electricity watchdog, Ofgem, has attacked power suppliers for offering what it believes are long-term contracts to small business customers which could lock them into supply arrangements during and after the introduction of full competition from April 1998. Five regional electricity companies are thought to be offering the deals, which provide discounts for customers if they sign up for five years or more. Northern Electric is cutting 10 per cent off its normal gas and electricity prices in a six-year contract, though a spokesman insisted the arrangement could be terminated early. Ofgem said it was concerned the arrangements could lock customers into supply contracts when better deals were available after 1998.

• David Sokol, head of CE Electric, has appointed eight new board members at Northern Electric, following the US group's narrow victory in the £782m hostile takeover battle before Christmas. Six of the eight are from CalEnergy, CE Electric's majority shareholder, while the other two are from Peter Kiewit, the US construction company which backed the takeover bid. Two non-executive directors of Northern resigned yesterday. Remaining members of the old guard, including Northern's chairman, David Morris, and chief executive, Tony Hadfield, are expected to resign from the company in the next few days. Contractual payments are expected to total some £2m.

• Core Laboratories, a US provider of analytical services to the oil industry, is to make a 53p-a-share cash offer for Scott Pickford. Core said the board of Scott Pickford had indicated it intended to recommend the offer, which values the entire existing issued share capital of Scott Pickford at about £6.7m. Core is capitalised at around \$188m (£111m) on the US Nasdaq National Market.

• McKechnie's chief executive, Michael Ost, is to resign after almost 10 years with the plastics and components group. He is to be succeeded by Andrew Walker, who was chief executive of South Wales Electricity before it was taken over by Welsh Water to form Hyder. The handover takes place on 10 March.

• Boots Healthcare International, the pharmaceuticals arm of the chemists group of the same name, has acquired the privately owned Alison skincare specialist Farmila Dermical and certain other assets for £4.1m. The acquisition was part of Boots' strategy of taking its skincare brands worldwide, the group said.

• David Treanor, Banking Correspondent

## Kleinwort fined £30,000 by SFA

### Jill Treanor

Banking Correspondent

Kleinwort Benson Securities has been reprieved, fined £30,000 and ordered to pay £7,900 in costs to the Securities and Futures Authority (SFA). The City regulator, after admitting to failures in its internal controls, had threatened to fine Kleinwort's own mark to market policy between 1 July 1995 and the beginning of September 1995.

The consequent mispricing of positions concealed "substantial, though unrealised, losses" on Kleinwort's profit and loss account, the regulator said. And, in two unconnected cases, one current employee and one former employee of Merrill Lynch International Bank, the private banking operation of the US bank, have been fined and reprimanded by the SFA.

In Kleinwort's case, Mr Truelove and Philip Steel, two former registered representatives of the firm, were disciplined for mispricing positions which resulted in Kleinwort showing a paper loss of approximately £500,000. And, in two unconnected cases, one current employee and one former employee of Merrill Lynch International Bank, the private banking operation of the US bank, have been fined and reprimanded by the SFA.

Mr Steel, who worked as Mr Truelove's assistant, was reprimanded and required to pay £2,000 towards costs. He was not fined because the SFA said it had taken into account that at the time he was only in his mid-20s, had been working in the back office at Kleinwort and had no experience in trading convertible notes and warrants.

The SFA said Mr Truelove and Mr Steel adopted a practice of marking positions on the European convertibles and warrants book which was neither in accordance with the SFA's rules nor with Kleinwort's own mark to market policy between 1 July 1995 and the beginning of September 1995.

The consequent mispricing of positions concealed "substantial, though unrealised, losses" on Kleinwort's profit and loss account, the regulator said.

Tanvir Malik, a former registered representative, was fined £15,000 and required to pay £5,000 towards costs after providing incomplete valuation reports to a private customer.

## Tobacco shares hit by US lawsuit move

### David Osborne

New York

Shares in BAT and recently floated Imperial Tobacco suffered setbacks in London trading following reports in America that Liggett had settled with five other states that had started legal proceedings.

It is a chilling prospect for the other tobacco companies. Most intriguingly, Liggett is believed to be ready to surrender handwritten notes written by its own lawyers over three decades of closed-door meetings at which all the tobacco companies allegedly set strategy to avoid prosecution. "This is the plum," one tobacco source said.

R J Reynolds was dismissive of the Liggett manoeuvre, which it termed a "PR play" and a case of "another illusory settlement" in the making.

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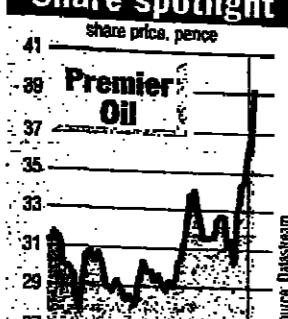
# market report / shares

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4

## Data Bank

FTSE 100	4087.0	-0.5
FTSE 250	4517.7	-14.6
FTSE 350	2034.1	-1.6
SEAO VOLUME	758.8m shares,	
	38,131 bargains	
Gilt's Index	93.31	-0.20

## Share spotlight



Source: Bourse

## Praise pushes Barclays and NatWest to new highs

An upbeat performance by Barclays and National Westminster Bank helped the stock market recover from an indifferent opening. The banking display was prompted by thoughts of share buy-backs and cheerful comment with next month's figures.

Cable & Wireless was another in the spotlight. As Hong Kong's last days as a colony melt away, the position of Cable's 58 per cent interest in Hong Kong Telecom has to be resolved.

Most believe Cable's new chief executive, Dick Brown, is near to completing a deal which will sharply reduce the HKT stake and allow Cable to play a major part in the development of the Chinese communications industry. The shares rose 15.5p to 741p, also a new high.

Salomon believes Barclays should produce profits around £2.3bn (£2bn) but feels increased provisions and higher technology costs could cut NatWest profits to £1.1bn although progress will resume this year.

The banking excitement swamped vague talk Barclays

could bid for Norwich Union, one of the mutual societies planning to convert into a plc this year. In early trading the shares were down 12p before the buy-back story captured the market's imagination.

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The banking excitement swamped vague talk Barclays



## MARKET REPORT

## DEREK PAIN

stock market reporter of the year

sic ending just 0.5 points lower.

Oils were firm with much of the action down among the second liners. British Petroleum Syndicate gushed 72.5p to 1010.5p, reflecting takeover hopes and much higher estimates of the services of one of its Gulf of Mexico fields. Cairn Energy, on Bangladesh development hopes as well as bid talk, added 25p to 468.5p. Premier Oil was also pulled into the speculative cauldron, gaining 2.5p to 39.25p. Aviva Petroleum, following a confident report on its Colombian operations, rose 8p to 41.5p.

But Burmah Castrol was

one to miss the fun. A profits downgrade by HSBC James Capel lowered the price 22.5p to 1,086.5p. Capel cut last year's expectation from £168m to £155m and next from £172m to £156m.

Sears, which duly produced a dismal trading statement, lost 40p to 87.5p.

Profit warnings hit computer group Software, off 56p to 197.5p, and metal basher Beacon, 35p to 112.5p.

Zeneca, after early falls, ended 6.5p higher at 1,637.5p. Estimates about the damage the strong pound is doing seem to have been overdone. It now appears a 6 per cent downgrade is nearer the mark rather

than the 11 per cent suggested on Wednesday.

Imperial Chemical Industries fell 14p to 751p as Capel lowered its profit forecasts by £100m to £650m and by the same amount to £800m. Other chemical shares fell the strain.

Ladbrokes shaded 2p to 230p with an ABN Amro Hoare Govett moving its stance from buy to hold. Hambros Commodity put on 7p to 111p as SBC Warburg banked on the shares on the back of the recovery in the residential property market.

Publishers were in demand, reflecting a sharp fall in newspaper prices. Daily Mail and General Trust gained 57.5p to 1,535p and Mirror Group 4p to 226.5p. Reuters remained weak on competition worries, off 13p to 706.5p.

Matthew Clark rose 18.5p to 277.5p as bid hopes were revived; figures are due next week. Courtaulds Textiles, a trading statement expected today, firms to 227.5p.

GB Railways, the most popular share among Sharelink clients in the past week, eased 5p to 247.5p.

Fenchurch, the insurance broker, rose 10p to 55p on bid hopes; shares were 15.2p a year ago. Lamont, a textile group where gains takeover hopes stirred recently, fell 10p to 181p as a market maker appeared to sell 32,000 shares at 175p.

Superframe, making photographic frames and shelving units, gained 2p to 189p. Dean Corporation, a building and property group, has taken control of a 25 per cent stake at 20p.

Quadrant, making coin handling equipment, held at 247.5p; Garland Whalley and Barker, a corporate developer, placed 4.5 million shares through Charterhouse Tilney with institutions at 246p.

## Taking Stock

□ Colefax & Fowler should be a beneficiary of the revival in the residential housing market. The upmarket fabric and furnishing group seems destined for a trading uplift. Around £2.2m is expected this year. At 115p the shares have been overlooked.

□ Emerald Energy's Colombian adventure was given a boost when Seven Seas Petroleum, a Canadian group, announced a "prolific" find 20 miles from where Emerald uncharted at 4.25p, is due to explore. The Seven Seas field, which may contain more than one billion barrels of oil, was discovered and largely developed by Keith Hewitt, who is leading the Emerald search.

□ Japanese investment trusts are suffering in the wake of the Tokyo share slide. Fleming Japan fell 7p to 182p; it was 289p in May.

Share Price Data									
Prices are in sterling except where stated. The yield is last year's dividend grossed up by 20 per cent, as a percentage of the share price. The earnings (PE) ratio is the share price divided by last year's earnings per share, excluding exceptional items. Other details: r Extra dividends; Ex-dividends; a Ex a u United Securities Markets; Suspended; Source: FT Information									
<b>On Integrated</b>									
FTSE 100 - Retailers 00 Sterling Rates 04 Proportion issues 36									
UK Stock Market Report 01 Bullion Report 05 Water Shares 36									
UK Company News 02 Wall St Report 20 Electricity Shares 40									
Foreign Exchange 03 Tokyo Market 21 High Street Banks 41									
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FTSE 100 - Retailers 00 Sterling Rates 04 Proportion issues 36									
UK Stock Market Report 01 Bullion Report 05 Water Shares 36									
UK Company News 02 Wall St Report 20 Electricity Shares 40									
Foreign Exchange 03 Tokyo Market 21 High Street Banks 41									
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<b>Market leaders: Top 20 volumes</b>									
Stock	Vol 686	Stock	Vol 686	Stock	Vol 686	Stock	Vol 686	Stock	Vol 686
Timex	1220000	Bush Steel	900000	Northern Rock	340000	Southgate	60000	Woolworths	10000
Sears	920000	Hanson	900000	Lloyds TSB	800000	BT	847400	BT	800000
ASDA Group	1500000	Tesco	950000	NatWest Bank	800000	Vodafone	500000	Dunelm	600000
Ladbrokes	1220000	BT	900000	BT	800000	General Elec.	500000	Bush Gas	500000
Railtrack	1020000	BT	800000	BT	800000	Globe Welcome	500000		
<b>FTSE 100 Index hour by hour</b>									
Open 40804 down 271	11.00 40893 down 182	15.00 40704 down 177	18.00 40665 down 209	18.00 40647 down 228	21.00 40664 down 211	Close 40702 down 05			
08.00 40753 down 302	12.00 40748 down 203	13.00 40747 down 204	13.00 40746 down 205	13.00 40745 down 205	14.00 40688 down 187				
09.00 40753 down 302	12.00 40748 down 203	13.00 40747 down 204	13.00 40746 down 205	13.00 40745 down 205	14.00 40688 down 187				
10.00 40753 down 302	12.00 40748 down 203	13.00 40747 down 204	13.00 40746 down 205	13.00 40745 down 205	14.00 40688 down 187				
<b>Pharmaceuticals</b>									
Stock	Price Chg Vol	Stock	Price Chg Vol	Stock	Price Chg Vol	Stock	Price Chg Vol	Stock	Price Chg Vol
Astrum	+0.00 200	Alpha	+0.00 200	Amgen	+0.00 200	Amgen	+0.00 200	Amgen	+0.00 200
Aradac	+0.00 200	Anglo American	+0.00 200	Anglo American	+0.00 200	Anglo American	+0.00 200	Anglo American	+0.00 200
Avon United	+0.00 200	Argentia	+0.00 200	Argentia	+0.00 200	Argentia	+0.00 200	Argentia	+0.00 200
Bayer	+0.00 200	Argus	+0.00 200	Argus	+0.00 200	Argus	+0.00 200	Argus	+0.00 200
Beecham	+0.00 200	Arran	+0.00 200	Arran	+0.00 200	Arran	+0.00 200	Arran	+0.00 200
Bell & Howells	+0.00 200	Asperg	+0.00 200	Asperg	+0.00 200	Asperg	+0.00 200	Asperg	+0.00 200
Bell & Howell	+0.00 200	Asperg	+0.00 200	Asperg	+0.00 200	Asperg	+0.00 200	Asperg	+0.00 200
Bentley	+0.00 200	Asperg	+0.00 2						

# business

## BZW chief needs to produce results fast

CONTINUED FROM PAGE 22

Boom market conditions are leading to record bonuses. That in turn has meant such a rapid escalation in costs that shareholders have found it difficult to benefit from the boom in markets.

According to a recent stock exchange report: "As staff costs are by far the largest single cost element and overall revenue is highly sensitive to changes in dealing profit, the implication is that benign market conditions will easily reduce member firms' profit levels."

The Stock Exchange said that staff costs increased significantly during the year to June 1996. While its figures are confined to equities, derivatives, bonds and money market instruments, observers believe them representative of investment banking more generally.

After remaining flat the previous year, staff costs among the exchange's 250 member firms grew by nine percent to an average £362m per quarter. Bonuses and profit sharing soared by almost £100m to a record £151m and profits were at a record £719m.

But, significantly for the shareholders of these firms, return on capital failed to match this vibrant performance. The average return on capital did rise to above its long-term average – a mere six per cent – but at just 10 per cent, the return is still poor by most standards.

"Despite the recent favourable market conditions, the modest return over the past years would be lower still if the firms in aggregate had not reduced the amount of capital employed," the Stock Exchange said.

In the first part of 1996 the Stock Exchange said firms were able to cut back on the amount of capital they set aside to cover their business because of a new directive from Europe, the Capital Adequacy Directive, and

because of restructuring in the industry.

Some investment bankers are eager to counter this claim, arguing that banks and securities houses tend towards caution when it comes to setting aside capital. "We set aside more than is required," said one banker.

This hides the true return on equity, he argues. "It could be the return on equity masks the true success of investment banking business because the

**Investment banks' return on capital is still poor by most standards**

firms want to be cautious about the amount of capital they set aside even though they have better technology to measure the amount of capital required," said another banker.

He said banks typically used sophisticated measuring tools known as Value at Risk (VAR) to determine the amount of capital they need to cover volatility in the markets. This regularly leads to banks setting aside more capital than regulators require, he said.

Many see this as little more than another excuse for poor

returns. "Risk management may explain high capital needs and consequent poor returns, but it does not excuse them or make this the type of business you would want to invest in," said one City investor.

One analyst pointed to data which showed that as banks moved further into investment banking they gave a lower and lower share of their returns to their shareholders compared with one banker.

The Irish banking group is clearly hoping that Govett's fund management expertise will give it critical mass in that area, as John Govett will take the lead managing the £12bn portfolio.

The Honourable Kevin Pakenham, chief executive of John Govett, becomes chief executive of the asset management company. Most of the group's products will be Govett-branded.

Eton and Oxford-educated Mr Joll remains a non-executive director of Equitas, the Lloyd's of London rescue vehicle, as well as Economist Newspapers. He has given up his non-executive directorship of Lazard Brothers, the merchant bank part-owned by Pearson.

Mr Joll was originally a journalist, working on the *Financial Times*' Lex Column, so I expect that he will not be slow in telling AIB how the operation should be run.

Razor-sharp City folk who think they know their Francois Pienaar from their Piont Noir can put their brain power to the test to help Marie Curie Cancer Care – the UK's biggest cancer care charity. Team entries are now being taken for the annual Marie Curie Brain Game, which takes place at the London South Bank Studios on 6 March, with the BBC's Martyn Lewis as quizmaster.

The Brain Game is now in its seventh year and has so far raised more than £470,000 to help people with cancer.

Anyone wishing to enter a team should call Penny Wheeler on 0171 201 2396. Champagne, dinner and wine are included in the ticket price – but you will have to supply your own IQ.

Just as GEC's chairman for 33 years, Lord Weinstock, has retired, the company's deputy managing director of the last 12 years, Malcolm Bates, has also left for pastures new.

Mr Bates, 62, has been appointed non-executive chairman of Premier Farnell, the Anglo-American electronic components distributor.

George Simpson who replaced Lord Weinstock as GEC's chairman is under-

## Comeback by former Pearson blue-blood

### PEOPLE & BUSINESS



New role: James Joll is to be non-executive chairman of AIB Asset Management

sought to have good relations with Mr Bates, so it doesn't look like a post-Weinstock clear-out.

Mr Bates's predecessor, Richard Hanwell, announced his intention to leave Premier last summer after spending five years there, and Premier was prepared to wait until the right replacement came along.

Howard Poulson, Premier's chief executive, says: "He's exactly what we were looking for. He comes from a fairly large organisation, and we're growing. He is re-

spected in the City, and he has international experience (in the US and Asia). He's also had spells in government and a merchant bank."

Before joining GEC Mr Bates was joint managing director at Grindlays Brandy ANZ Merchant Bank, after serving two years with the Industrial Reorganisation Corporation.

He is a keen classical music buff, so no doubt he is relieved that he will not be forced to move to Premier's head office in Wetherby, Yorkshire, where concert

halls are rather thinner on the ground than his present home, London.

Tim Eggar, former Energy Minister, has picked up a second plum job just six months after resigning from the Government.

Yesterday Monument Oil & Gas said Mr Eggar, who remains MP for Enfield North until the general election, will join the company's board as a non-executive director.

Just three months ago Mr Eggar caused a stir when he was appointed chairman of MW Kellogg, an oil services company and the UK wing of the American engineering and construction subsidiary of Dresser Industries.

He was believed to have been offered a salary of around £150,000 a year.

A spokesman for Monument is keen to point out that Mr Eggar's more recent appointment isn't just about going for the money. "Mr Eggar and Monument's chief executive Tony Craven Walker go back some way."

Indeed they do. Before Mr Eggar, now 45, went into politics he worked for an investment banking boutique and was non-executive director of Charterhouse Petroleum – the oil company Mr Craven Walker ran before he set up Monument in 1988.

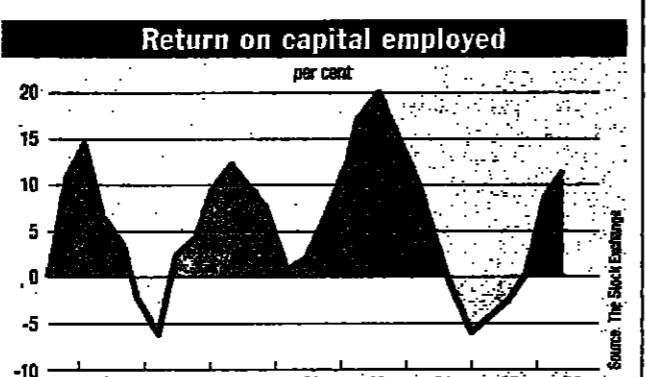
At Monument Mr Eggar will "have particular responsibilities relating to the development of Monument's expanding overseas activities, including the important Caspian Sea region where Monument is already operating a large concession containing existing oil and gas fields in Western Turkmenistan," says Monument.

Monument has decided not to bid in the latest licence round for UK offshore exploration, specifically to avoid any possible conflict of interest with Mr Eggar's recent post as Energy Minister. Who says ethics are dead?

John Willcock

### Foreign Exchange Rates

Country	Sterling			D-Mark		
	Spot	1 month	3 months	Spot	1 month	3 months
US	1.6942	1.21-10	3.35-36	1.000	—	—
Canada	2.2985	54.49	154.45	13.605	24.23	75.73
Germany	2.6694	69.61	203.93	157.57	80.28	100.00
France	2.3583	70.51	201.23	157.57	80.57	100.00
Italy	2.0683	51.45	153.23	154.02	26.95	32.00
Japan	1.9671	95.91	281.27	151.51	48.47	149.17
ECU	1.5739	21.18	66.67	12.32	14.45	15.70
Belgium	1.5072	22.17	66.55	12.32	14.45	15.70
Netherlands	2.2968	52.92	210.22	176.69	39.37	121.15
Ireland	1.5088	5.1	16.10	16.30	6.3	10.6
Norway	1.5088	160.43	380.45	159.00	40.42	120.45
Spain	1.2411	50.43	152.52	125.52	23.51	84.05
Switzerland	1.7131	220.16	690.50	69.64	152.10	189.14
Australia	2.3165	65.47	223.25	136.66	40.37	88.67
Hong Kong	1.0707	56.82	186.23	123.44	12.35	38.35
Malaysia	4.2553	0.0	0.4	2.6246	27.30	80.85
New Zealand	2.3968	64.71	155.16	149.47	54.55	97.99
Saudi Arabia	6.6534	0.0	0.4	3.7302	1.14	5.9
Singapore	2.3812	0.0	0.4	1.4056	24.19	70.65



### Interest Rates

Country	UK			US		
	Base	Discount	250%	Prime	Discount	0.50%
France	6.00%	Lombard	4.50%	8.75%	5.00%	0.50%
Intervention	3.55%	Bank	3.55%	5.25%	3.50%	0.50%
Discount	7.5%	Prime	4.75%	10-Day Repo	6.25%	Switzerland
Advances	2.50%	Denmark	4.00%	Sweden	Discount	1.00%
				Repo (Av)	4.10%	Lombard
						4.25%

Country	Bond Yields			IBRD Markets Research		
	Syr	yield %	10y	yield %	10y	yield %
UK	7%	2.54	7.0%	7.25	5.85	5.7%
US	6.25%	1.23	6.5%	5.85	5.80%	5.67
Japan	5.2%	1.78	3%	2.54	6.70	8.1%
Australia	9.7%	7.03	10%	7.25	9.75	10.04
Germany	8.0%	4.88	6.2%	5.89	4.57	6.25%
France	5.5%	4.55	6.3%	6.25	6.43	6.70

### Money Market Rates

Country	OWeight			7 Day			1 Month			3 Months			6 Months			1 Year	
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# Points of interest for punters

Ian Davies explains the amateur sport that underpins the hunter chase season

The hunter chase season looms – favourites with no form figures on the race-card to justify their short odds and more amateur jockeys with double-barrelled names than there are surgeons who perform chin implants.

Hunter chases take place at most jumps meetings from 1 February and the point-to-point season that is the foundation for such contests is scheduled to start this weekend.

What are point-to-points? Farical races for rural types with more inherited wealth than sense and Monday-to-Friday stockbrokers, who delude themselves that they own, train and ride proper racehorses at weekends? Or a fascinating competitive sub-structure to racing under rules, from which champions can, and do, emerge?

The Racing Channel shares the latter school of thought. It had intended to break ground by televising Larkhill's abandoned Saturday meeting, but will still be there to screen the Wiltshire course's New Forest fixture in February, the Heythrop's meeting on 8 April and the Twerton's event at Stallford Thorne on 16 April.

The truth is that, while there are those in the point-to-point game who are a danger to themselves and their horses, with over 4,000 point-to-pointers in training, a graded system of racing and point-to-point slumps including the Gold Cup winner Norton's Coin, Grand

National hero Grittar and, more recently, the Hennessy victor Coome Hill, it is a sport worth understanding for betting on races under National Hunt rules, even if you would not be seen dead at a point-to-point itself.

It would be a shame to take such a stance. For the jumping enthusiast, fed a diet of two-chases and four hurdles on cards under rules and suffering high admission prices, the chance to see six three-mile chases either free – by checking walking in or – by paying a fixed price to drive in regardless of how many are packed into the car, is worth considering.

Point-to-points are about strength – the weights carried range from 11lb in ladies' races to 13st 7lb – jumping fences and staying. Virtually all point-to-points are over at least three miles and, although they do not have to conform to jump racing rules on height, number and type of fences, obstacles, while usually smaller than fences under rules, take more jumping than hurdles.

The lowest grade of race is the Confined Maiden. They are for horses which have not won a race of any sort and which have been out with the hunt promoting that day's racing, or are not won under rules and have not won an Open, Intermediate or two Restricteds.

Having won a Maiden and a

Restricted open, a horse can now step up to an Intermediate.

Having won a Maiden and a

Restricted open, a horse can now step up to an Intermediate.

These are for horses which have

not won under rules, an Open or two Intermediates. Winners of two Intermediates can then step up to a Confined. Like Confined Maidens, these are for horses hunted within the local region, but previous winners are eligible.

The highest grade is an Open in which a point-to-pointer from anywhere in the country which have yet to win – are, in theory, harder to win, but point-to-pointing, with prize-money measured in hundreds, rather than thousands of pounds, is a pretty provincial business.

Next grade up is the Restricted, the restriction being that to run in these a horse cannot have won under rules and has not won an Open, Intermediate or two Restricteds.

There are also Club races – for horses whose owners are members of a particular club – and the Members'. Subscribers'. Farmers' or Hunt races which are

confined to horses hunted with the club promoting the day's meeting. The quality of such contests varies enormously. It is considered unsporting to run an outstanding horse to such a contest if its owner knows the rest of his hunt or club cannot field a horse capable of giving it a race. In practice there is a depressing glut of owners with egos the size of Bournemouth, who are happy to let their pride and joy reduce such races to non-events by strolling home a distance clear. The on-course bookmakers – there is no off-course market or official starting prices – often refuse to take bets on these races.

So, when scouring hunter chase form it is important to remember that a horse can have won three point-to-points – a

Maiden, a Restricted and a Members' race – without having proved much. Form in Opens and, to a lesser extent, Confined and Intermediate races is more important.

Jockeyship is a relatively unimportant factor under rules, where most riders are professionals. Not so in point-to-points.

There are some appalling riders on the circuit. Stick to the top names – Jamie Jukes, Alastair Crow, Tim Mitchell, Joe Tizzard, Nigel Bloom, Neil Harris, Paul Hacking, Andrew Parker, Jimmy Tarry and Noel Wilson, Paul Cullen, Alison Darc, Pip Jones, Jo Cummins and Shirley Vickery. They are the leaders in the pointing field and should win more than their share of hunter chases.



Photograph: Robert Hallam

## Turf may be back on cards

Racing on turf looks set to resume at Musselburgh today, provided the course passes a 7.30am inspection. Frost and snow have prevented any action away from Britain's three all-weather venues since the Edinburgh course's fixture on 27 December.

The same track suffered a late abandonment fast Saturday, but the clerk of the course, Mark Kershaw, is confident today's fixture will proceed. "It has been raining today, we haven't had any frost and the course is raceable with the temperature rising to 4C," he said.

Tomorrow's valuable cards at

**RICHARD EDMONDSON**  
NAP: Blushing Grenadier  
(Southwell 2.25)  
**NB: Lively Encounter**  
(Musselburgh 12.40)

Ascot and Warwick have been lost to the weather, but prospects for Newcastle are brighter. Channel 4 will now televise five races from Wolverhampton and two from Leopardswood.

The British Horseracing Board yesterday announced further measures to assist racing following the number of meetings lost during the freeze, enhancing the value of certain prizes.

■ Doncaster's November Handicap meeting is to be restored as the traditional end-of-season card. The Monday Folkestone fixture that has closed recent campaigns has been switched to September.

■ Kieran Gauld, who rode Strong Promise to win the First National Bank Gold Cup, has left his job as stable jockey Geoff Hubbard and has moved to Newmarket. The 23-year-old will be replaced by Tony McCoy aboard Strong Promise.

**FORM GUIDE**  
Barry Hills' outlaws GULLIVER and Clelland are unknowns on sand. Abella is mad and testing on this track after a maiden win, but was a surprise spot with Robin Armstrong, who's surely beatable after failing to withstand China Castle in a handicap here on Monkton. His soft-ground Hayday won last of 11 on today's card. Clelland has to be respected on her soft-ground Hayday, as a juvenile, though, she has had little form since last August. She is a good horse and has been gelded. He looks well following when finishing third at Fakenham in August, but has subsequent runs were very disappointing. Assisting the opposition, however, Guillier has to ride the selection to luck off on a winning note for Paul Green. Fair Head is, from Lee Eye's in-form Stable, which won the race last year, with Coalhill Chor. This was the gelding's ideal trip on turf, but the result wasn't a fair reflection on him. Guillier has won four handicaps here and the company is likely to prove too hot for him.

Selection: GULLIVER and the company is likely to prove too hot for him.

### JANUARY POINT-TO-POINT FIXTURES

SATURDAY 11

ARBY at Larkhall (Leander)

Track in Merton, Sm NW of Ayrshire.

SUNDAY 12

CAMBRIE HARRIERS at Colbath

GARTH & SOUTH BIRKS at Tweedhead

Track in Hawick, Sm W of Peebles.

SUNDAY 13

EASTON HARRIERS at Easton

Track in Saltash, Sm E of Exeter.

SUNDAY 14

PPORA at Barbury Castle

Track in Wiltshire, Sm SSW of Wroughton.

SUNDAY 15

HURSY HAMBLETON at Barbury Rings

Track in Dorset, Sm NW of Wimborne.

SUNDAY 26

ESSER FARMERS & UNION at Marks Tey

Farm, Essex, Sm N of Colchester.

WEST PERRY & MILVER at Alresford

Track in Hampshire, Sm E of Alresford.

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